

2008 Annual Report

(01.01.2008 – 31.12.2008)



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1. Historical Data

1.1. Establishment of the Company, Shareholding Structure

The joint-stock company PHARMOS was established in April 1991 and since then it has been engaged mainly in trading activity, especially wholesale distribution of pharmaceuticals. In 1992, together with its German partner Stumpf AG, it established the subsidiary Pharmos CS, a. s. with a parity representation of both companies. In 1993, Stumpf AG also acquired capital participation also in PHARMOS, a.s. In 1995, the original shareholders of PHARMOS, a. s. established Česká lékárnická, a. s., into which PHARMOS, a.s. shares were transferred, which substantially changed the shareholding structure of PHARMOS.

During its history, PHARMOS, a.s. has gained an important position in the sphere of wholesale distribution of pharmaceuticals to public and hospital pharmacies. The company strives to have a continuous close co-operation with its customers and to create favourable conditions for the development of pharmacies, thus contributing to a further increase of the respect towards the pharmaceutical profession in the Czech Republic. Since the moment it came into existence, PHARMOS has been a stable member of a group of companies gathered around Česká lékárnická, a.s.

Currently, Pharmos, a.s. has two major shareholders, Česká lékárnická, a. s., owning approximately 71.6 % of PHARMOS, a.s. shares, and a German shareholder Phoenix International Beteiligungs GmbH, Mannheim, owning 28 % of the shares (the shares were transferred onto this company by Stumpf AG, the original owner and a member of the Phoenix concern). The remaining 0.4 % of the shares is owned by small Czech shareholders – physical entities.

In 2002, PHARMOS, a.s. increased the registered capital of the company by CZK 37.7 mil., this increase being performed by a sole subscriber, Česká lékárnická, a.s., by means of a monetary deposit of a part of Česká lékárnická, a.s. The deposited part of the company included all the assets and liabilities related to the distribution activity of Česká lékárnická, and the reason for this strategic step was the effort to obtain a majority share in PHARMOS, a.s. for Česká lékárnická, a.s. (in this manner, the share of Česká lékárnická, a.s. increased from 49.2 % to 71.6 %) and also the effort to concentrate all the distribution activity in a single main distribution company, thus creating an efficiently functioning company with a strong capital. In 2004, the registered capital was further increased from retained profit and the share premium, i.e. from CZK 85.7 million to CZK 342.8 million – the ratios among individual shareholders remained unchanged.

In 2004, PHARMOS, a.s. sold the shares of THERÁPON 98, a.s. – the entire share held by Česká lékárnická, a.s.

1.2. Activities, Operation of Autonomous Outlets

The main activity of PHARMOS, a.s. is the purchase of goods for sale and resale. As regards the specific items of its assortment, the company is oriented mostly towards delivering pharmaceuticals and medicinal products to public and hospital pharmacies, as well as towards delivering medical supplies and dental supplies. Besides this basic assortment, PHARMOS, a.s. supplies its customers with a complementary assortment represented by parapharmaceuticals, cosmetic products and dietary supplements.

The company has its registered office in Ostrava-Radvanice, Těšínská 1349/296. In 2008, the distribution was performed using eight main company warehouses (localities: Ostrava-Radvanice, Prostějov, Brandýsek, Brno, Ústí nad Labem, Hradec Králové, České Budějovice and Lukášov) and one auxiliary warehouse designed as a consignment and customs warehouse (Jihlava locality). Since 2004, distribution under the PHARMOS brand name has been in progress within the localities of Jihlava and Plzeň. In February 2009, we closed the operation of our warehouse at Lukášov, its subregion is now supplied from the warehouses in Hradec Králové and Ústí nad Labem.



Within the framework of its own warehouses, the company operates a series of consignment warehouses used for distribution both within the framework of the individual distribution companies that are members of the Česká lékárnická, a.s. group and to other distributors on the Czech market. Besides the above-mentioned locality of Jihlava, these consignment warehouses are located in Ostrava, Brno, Hradec Králové, Ústí nad Labem and Brandýsek. PHARMOS, a.s. provides some suppliers/manufacturers with a new form of service – a complete package consisting of warehousing services, distribution and supplier's/manufacturers' stock management according to instructions the supplier/manufacturers strictly determines (i.e. in the name of the supplier/manufacturers).

As regards the distribution of the entire assortment, PHARMOS, a.s. is an exclusive supplier for four independent distribution companies with a limited liability, in which Česká lékárnická has at least 50% capital participation (the remaining capital is owned by the individual pharmacists within a given region). The entities in question are regional pharmaceutical distribution entities, in concrete terms Pražská lékárnická, s.r.o., Jihlavská lékárnická, s.r.o., Plzeňská lékárnická s.r.o. and PHARMACY-distribuce léčiv s.r.o. These regional distribution entities already represent an important component part of the distribution strategy of Česká lékárnická, a.s.

1.3. History of Profit and Loss

The achieved operating results during past years can be evaluated as positive and contributory to the steady position of the company on the Czech market. This evaluation does not only apply to evaluation of achieved operating results, but also to the global position of the company on the market.

The year of 2008 was again in token of growing revenues and market share increase. However, there was a decline in profit margin in comparison with the previous years. The decrease in profit margin was caused by seeking for new markets (increase in revenues) namely in the segment of hospital pharmacies. In 2008, we reached an increase in operating results before taxation in the amount of CZK 24,923 thousand.

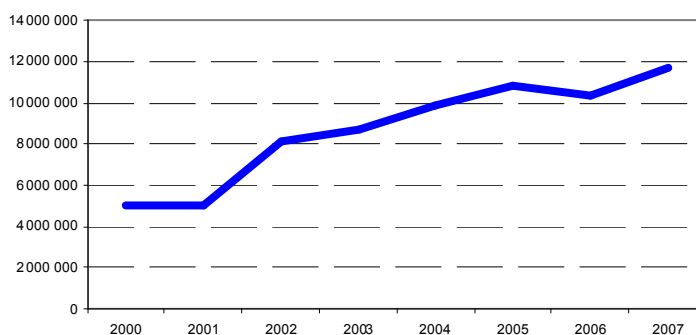
The year 2008 was floating on the waves of caution in our company as well as in many others. This came to light namely in a more vigorous care of claims as well as in creation of rectifying items for the claims. In addition to tax rectifying items, we rectified a number of claims by accounting as well. On the other hand, this caution had a great impact on tax liabilities.

We are aware of the fact that the year 2008 was not positive in terms of company's economy anyway. We take this situation very seriously and we are trying to revert it with all efforts. That is why we accepted and implemented, in the second half of 2008, a number of measures leading to improvement of the economic process in our company. We focused on creation of our profit margin and spending

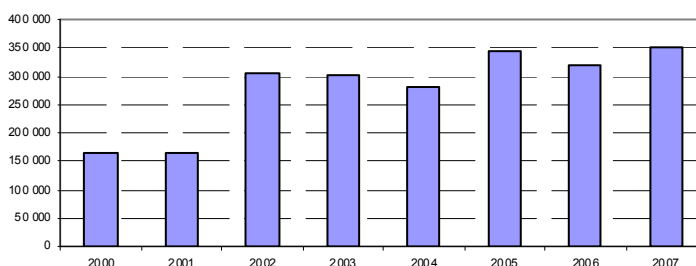
Despite the year 2008 was hard not only for Pharmos, we showed positive operating results and we managed to retain our market position on the Czech market.

Indicator	2003	2004	2005	2006	2007	2008
Total revenue from normal operations (CZK '000)	8 675 004	9 834 677	10 838 324	10 308 792	11 688 840	12 018 677
Total sale of goods (CZK '000)	8 536 152	9 695 500	10 678 580	10 149 993	11 530 913	11 864 300
Total export of goods (CZK '000)	4 508	747	24 912	13 547	81 750	111 676
Share of supplies for export in total sale of goods (%)	0.05 %	0.01 %	0.23%	0.13%	0.71%	0.93%
Revenue from services (CZK '000)	138 852	139 178	159 744	158 799	157 927	154 377
Share in % of revenue from total revenue from normal operations	1.60 %	1.42 %	1.47%	1.54%	1.35%	1.28%
Gross margin in absolute figures (CZK)	300 608	282 401	344 912	318 081	349 526	306 103
Gross margin (%)	3.52 %	2.91 %	3.22%	3.13 %	2.99%	2.58%
Business surcharge (%)	3.65 %	3.00 %	3.34%	3.24 %	3.13%	2.65%

Total revenues from current operations (CZK '000)



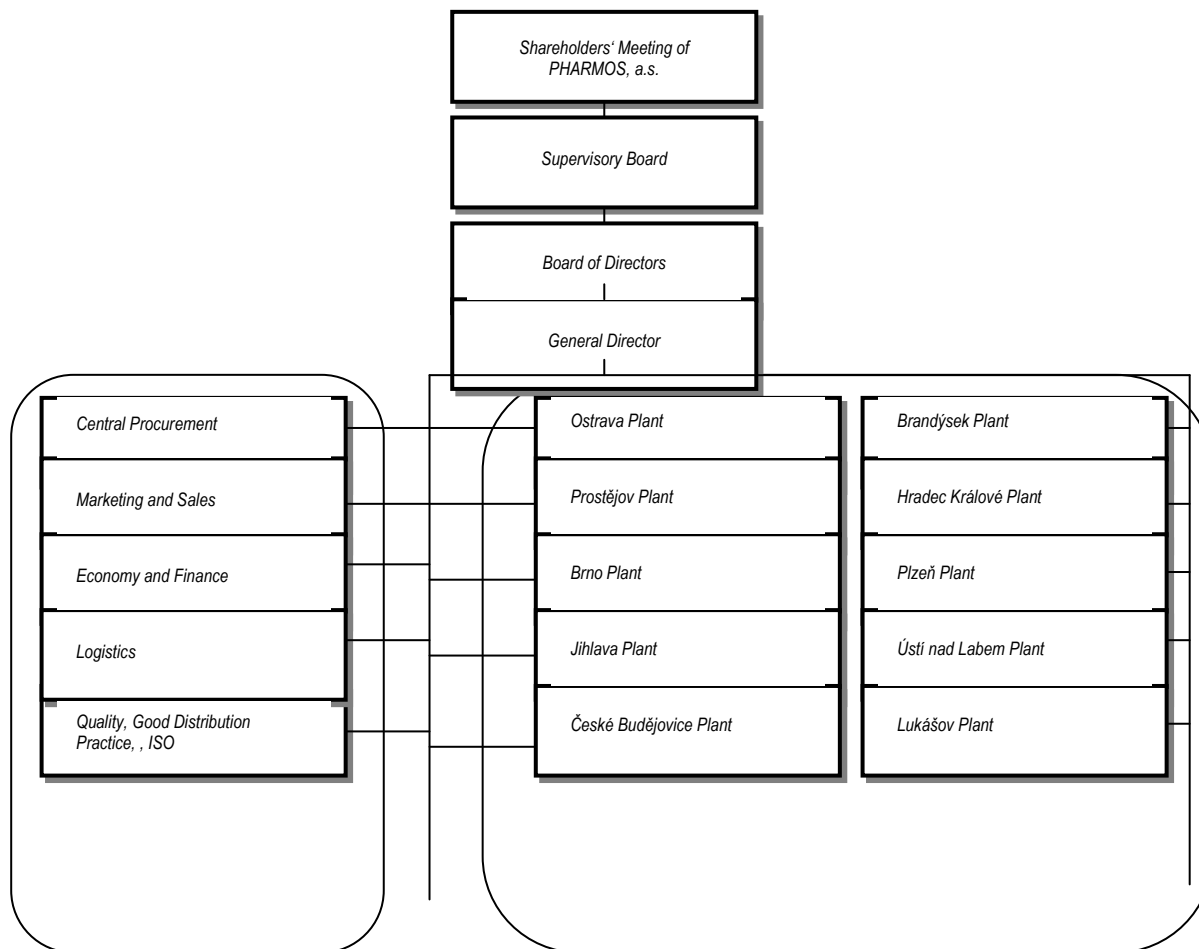
Gross margin (CZK)



2. Company Organisational Structure and Company Bodies

2.1. Company Organizational Structure

The organisational structure of PHARMOS, a.s. did not undergo any substantial changes during the year 2008. The diagram provided below represents the situation as of 31 December 2008.



2.2. Company Bodies

Situation on the date 31.12.2008

Supervisory Board:

- Chairman of the Supervisory Board
- Member of the Supervisory Board
- Member of the Supervisory Board
- Member of the Supervisory Board
- Member of the Supervisory Board
- Member of the Supervisory Board

Helmut Kraft
PharmDr. Petr Nalevajka
Mgr. Ilona Mravcová
Mgr. Lea Lesáková
Ing. Oldřich Fiala
Christoph Nöll

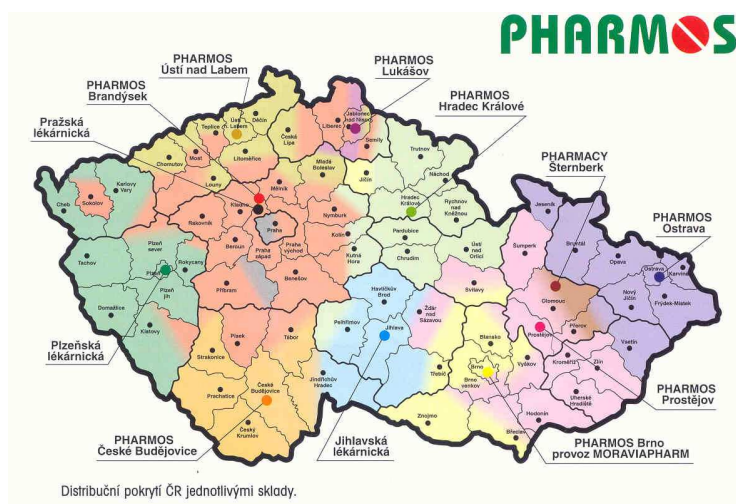
Board of Directors:

- Chairman of the Board of Directors
- Member of the Board of Directors
- Member of the Board of Directors
- Member of the Board of Directors
- - terminated 18.12.2008
- Member of the Board of Directors

PharmDr. Jiří Korta – from 4.9.2008
PharmDr. Ivan Šácha
Mgr. Jaroslav Němeček
Mgr. Karel Šiegr
Alena Marynčáková

The data in the Notes to Financial Statements reflect the situation entered in the Company Register.

Presentation of the geographic location of the distribution warehouses of the company (PHARMOS, a.s. warehouses and distribution pharmaceutical limited liability companies warehouses).



3. Profit and Loss

The profit and loss for the year 2008 may be assessed as positive, similarly to the past years, both from the viewpoint of the profit and especially from the viewpoint of the development of the company's balance sheet items.

The total volume of the revenue from goods sold amounted to CZK 11 864 300 thousand, by 2.9% in comparison with the same period of the last year. The total revenue from ordinary activity amounted to CZK 12 018 677 thousand, and the sale of goods had the most important share in this revenue volume. The decisive part of the revenue from goods was represented by the supplies of pharmaceuticals and other complementary assortment to public and hospital pharmacies. However, the growing sales to hospital pharmacies had a negative impact on the overall sales margins. In absolute figures, the sales margin increased against the previous year, amounting to CZK 306 103 thousand; in relative figures the margin decreased to 2.58%. In comparison with 2008, the relative margin decreased by 0.41%.

In the course of 2008, the development within the framework of operating cost items was successful. The consumption from operation was slightly increased by CZK 856 thousand in comparison with 2007. We restricted the material and energy consumption, but the costs of services were increased on the other hand. The development of these was influenced in a negative manner especially by the changes in the price of some inputs, particularly an increase in the price of purchased materials and power.

The staff costs represent our highest cost item of our company and that is why we pay a particular attention to it. Compared to last year, the staff costs declined by CZK 2 551 thousand to CZK 162 164 thousand. Within the framework of measures adopted, we decrease the number of staff; we expect a more significant effect namely in 2009.

The most important items within the framework of operating costs (besides the costs of goods sold) include, above all, the costs of purchased services and staff costs.

As regards financial management, the Company's situation is complicated the most by the interests expenses which have a significant influence on the financial profit/loss. The expense interests represented CZK 90 523 thousand. They were increased by CZK 13 079 thousand against 2007. This increase was caused by the growth of interest rates in the second half of 2007 which continued also in the first half of 2008. The financial effect of our economy was substantially influenced also by dissolving the penalty reserves by the Office of fair trading (ÚOHS) amounting to CZK 18 638 thousand. This penalty is dissolved in the financial sphere but it raises the expenses in operating sphere – the global impact on operating results is neutral.

As of the last day of the monitored period, the fixed assets of the company reached the total amount of CZK 3 571 284 thousand, and in comparison with the balance at the end of the last fiscal year, it dropped by approximately CZK 343 896 thousand. The net book value of the tangible and intangible fixed assets as of 31 December 2008 decreased by CZK 37 680 thousand in comparison with the balance as of 31 December 2007. The current assets of the company posted an annual decrease to CZK 311 693 thousand.

The company's equity increased by CZK 11 738 thousand and its total volume reached CZK 576 858 thousand. This increase has a positive effect on the ratio indicators. In 2008, the Company's registered capital was not increased.

In view of the achieved profit for 2008, the company's equity was furthermore strengthened, which stabilized the financial resources of PHARMOS, a.s.

4. Investment Construction and Development of Activities

4.1. Investment Construction in the Past Year

The investments made in the course of the past years were focussed especially on the renewal and complementation of the Company's existing fixed assets and an overall improvement of the structure of these fixed assets. In 2008, we accomplished the mechanization of the line for delivery from storage in Prostějov.

4.2. Plans concerning Investment Construction and Development of Activities

The Company intends to install dispatching lines in the other plants, with the aim of increasing the dispatching capacities of these plants and assure further savings of labour forces.

5. Selected Data from the Balance Sheet



TEXT (NET BALANCE) IN CZK '000	2003	2004	2005	2006	2007	2008
Total assets	3 164 198	3 835 757	4 003 788	3 826 678	3 915 180	3 571 284
Stock subscriptions receivable	-	-	-	-	-	-
Fixed assets	370 129	348 607	339 755	324 711	311 645	273 965
Intangible fixed assets	18 410	10 300	5 703	3 377	1 121	834
Tangible fixed assets	307 505	315 114	310 859	306 215	307 405	270 012
Financial investments	44 214	23 193	23 193	15 119	3 119	3 119
Current assets	2 793 310	3 485 296	3 662 702	3 500 013	3 601 343	3 289 650
Stock	759 551	974 818	1 096 882	1 081 904	906 785	777 115
Long-term debtors	104 830	101 799	48 129	54 797	66 200	45 414
Short-term debtors	1 877 711	2 390 210	2 482 531	2 319 073	2 563 179	2 384 192
Financial assets	51 218	10 469	35 160	44 239	65 179	82 929
Other assets – temporary asset accounts	759	1 854	1 331	1 954	2 192	7 669
Total liabilities	3 164 198	3 835 757	4 003 788	3 826 678	3 915 180	3 571 284
Equity	504 348	530 512	542 762	552 872	565 120	576 858
Registered capital	85 700	342 800	342 800	342 800	342 800	342 800
Capital funds	162 643	-	-	-	-	-
Funds from profit	125 005	135 005	145 005	176 005	176 005	176 005
Retained profit or loss from previous years	94 343	15 953	12 821	14 387	32 402	46 314
Profit or loss of current year	36 657	36 754	42 136	19 680	13 913	11 739
Liabilities	2 659 765	3 305 245	3 460 480	3 273 287	3 349 836	2 991 855
Reserves	5 710	7 700	-	6000	18 638	-
Long-term liabilities	10 541	-	29 558	24 376	16 603	12 421
Short-term liabilities	1 328 908	1 435 538	1 509 832	1 380 086	1 360 867	1 343 239
Bank loans and overdrafts	1 314 606	1 862 007	1 921 090	1 862 825	1 953 728	1 636 195
Other liabilities - temporary liability accounts	85	-	546	519	224	2 571

6. Selected Data from the Profit and Loss Account



TEXT (CZK '000)	2003	2004	2005	2006	2007	2008
Sales of goods purchase for resale	8 536 152	9 695 500	10 678 580	10 149 993	11 530 913	11 864 300
Cost of goods sold	8 235 544	9 413 099	10 333 668	9 831 912	11 181 387	11 558 197
Gross margin	300 608	282 401	344 912	318 081	349 526	306 103
Sale of own products and services	138 852	139 178	159 744	158 799	157 927	154 377
Consumables	19 631	21 968	25 301	26 675	25 029	22 008
Services	126 676	139 897	153 765	144 226	141 652	145 529
Added value	293 153	259 714	325 590	305 979	340 772	292 943
Wages and salaries	99 091	104 428	111 314	114 096	117 605	115 611
Social and health insurance	33 313	35 667	37 788	39 514	39 071	38 575
Social benefits	4 281	3 664	5 054	6 985	8 039	7 978
Taxes and charges	2 854	1 186	3 806	-605	1 522	4 722
Depreciation of intangible and tangible fixed assets	27 678	22 973	20 543	20 111	27 749	25 169
Sales of fixed assets and materials	1 568	2 377	5 727	71	487	63 571
Net book value of sold fixed assets and materials	244	376	3 825	22	195	20 409
Change in the reserves and adjusting entries in the area of operations and complex retained expenses	16 814	4 116	19 525	3 528	24 734	4 658
Other operating income	10 996	9 647	6 203	9 386	11 641	36 153
Other operating expenses	23 155	10 474	18 035	26 425	28 719	42 633
Profit / loss from operations	98 287	88 854	117 630	105 360	105 266	132 912
Sales of securities and shares	6 000	21 416	-	-	-	1 845
Securities and shares sold	6 600	21 242	-	-	-	1 845
Change in the reserves and adjusting entries in the area of finance	-	-	-	6 000	-	-
Interest income	10 725	10 495	7 118	4 811	4 899	3 223
Interest expenses	52 260	51 484	61 337	62 245	77 444	90 523
Other financial income	30 104	28 495	22 256	17 797	18 575	13 934
Other financial expenses	30 062	28 217	28 618	21 782	33 536	34 623
Profit or loss from financial operations	-42 093	-40 537	-60 581	-67 419	-87 506	-107 989
Income tax on ordinary activities – due	21 403	10 066	15 203	13 486	11 620	17 367
Income tax on ordinary activities – deferred	-841	1 806	292	4 775	-7 773	-4 183
Profit or loss from ordinary activities	35 632	36 445	41 554	19 680	13 913	11 739
Extraordinary income	1 038	400	687	-	-	-
Extraordinary expenses	13	91	105	-	-	-
Income tax on extraordinary activities – due	-	-	-	-	-	-
Extraordinary profit or loss	1 025	309	582	-	-	-
Profit or loss of current year	36 657	36 754	42 136	19 680	13 913	11 739
Profit or loss before taxation	57 219	48 626	57 631	37 941	17 760	24 923

7. Selected Data from the Cash Flow Statement



No.	TEXT (CZK '000)	2005	2006	2007	2008
P.	Balance of funds and monetary equivalents at the beg. of the accounting period	10 469	35 160	44 239	65 179
Z.	Book profit/loss from ordinary activity before taxation	57 049	37 941	17 760	24 923
A.1.	Adjustments with non-monetary operations	85 332	87 024	124 736	67 807
A.1.1.	Depreciation of fixed assets (+) except for net book value of fixed assets sold	20 543	27 165	27 750	25 169
A.1.2.	Variation in adjustments and reserves, and variat. in temp. asset and liab. acc. (+/-)	12 472	2 474	24 734	-1 840
A.1.3.	Profit (loss) from the sale of fixed assets (-/+)	- 1 902	-49	-293	-42 822
A.1.4.	Revenue from dividends and share of profit (-)	-	-	-	-
A.1.5.	Settled expense interests (+) and settled income interests (-)	54 219	57 434	72 545	87 300
A*	Net cash flow from oper. act. before tax., changes in work. cap. and extraord. items	142 381	124 965	142 496	92 730
A.2.	Change in the need of working capital	-46 334	- 3 266	-11 604	-29 990
A.2.1.	Variation in operating activity receivables (+/-)	-69 575	158 887	-269 416	-177 640
A.2.2.	Variation in operating activity short-term liabilities (+/-)	145 916	-177 188	81 140	-337 158
A.2.3.	Variation in stocks (+/-)	-122 675	15 035	176 672	129 528
A**	Net cash flow from operating activity before taxation and extraordinary items	96 047	121 699	130 892	62 740
A.3.	Expenditure on interests paid except for capitalized interests (-)	-61 337	- 62 245	-77 444	-90 523
A.4.	Interests received (+)	7 118	4 811	4 899	3 223
A.5.	Tax paid on income from ordin. act. and for additional tax assess. for previous years	3 678	-11 548	-12 371	-13 023
A.6.	Receipts and expenditures related to extraordinary accounting cases	582	-	-	-
A***	Net cash flow from operating activity	46 088	52 717	45 976	-37 583
B.1.	Expenditures related to acquisition of fixed assets	-15 511	-12 168	-14 879	-7 898
B.2.	Income from sale of fixed assets	5 727	71	488	63 231
B.3.	Loans and credits for related persons	-	-	-	-
B***	Net cash flow related to investment activity	-9 784	-12 097	14 391	-55 333
C.1.	Variation in long-term or short-term liabilities	-2 043	- 21 957	-9 000	-
C.2.	Impact of variation in equity on funds	-9 570	- 9 584	-1 645	-
C.2.1.	Increase in funds and monet. equiv. due to increased reg. capital, reserve fund (+)	-	-	-	-
C.2.2.	Payment of share in equity to associates (-)	-9 570	- 9 584	-	-
C.2.3.	Monet. don. and allocat. into equity and other ass.s' and shareholders' deposits (+)	-	-	-	-
C.2.4.	Settlement of loss on behalf of associates (+)	-	-	-	-
C.2.5.	Direct payments to the debit of funds (-)	-	-	-	-
C.2.6.	Dividends paid including paid withholding tax (-)	-	-	-1 645	-
C.3.	Received dividends (+)	-	-	-	-
C***	Net cash flow related to financial activity	-11 613	-31 541	-10 645	-
F.	Net increase/decrease in the balance of funds	24 691	9 079	20 940	17 750
R.	Balance of funds and monetary equivalents at the end of the accounting period	35 160	44 239	65 179	82 929

8. Company Supervisory Board Report

Company Supervisory Board Report Concerning 2008 Financial Statements

The Supervisory Board of PHARMOS, a.s. was duly informed about the development of the business activity of the company and fulfilled all the pertinent tasks both according to the Czech system of law and according to the Articles of Association.

The Final Accounts and Annual Report were audited as of 31 December 2008 by AUDIT PROFESIONAL spol. s r.o., the company's auditor. The Supervisory Board has examined the Annual Report and approves of the findings contained in the Auditor's Report as of 31 December 2008.

The Supervisory Board would like to thank all the Members of the Board of Directors of PHARMOS, a.s. participating in the company's activity.



Supervisory Board

9. Independent Auditors' Report concerning the Annual Report



/AP/ ev.č. 47/2009

ZPRÁVA NEZÁVISLÉHO AUDITORA o ověření Výroční zprávy za rok 2008 včetně Zprávy o vztazích mezi propojenými osobami určená akcionářům společnosti **PHARMOS, a.s.**

Zpráva o účetní závěrce

Na základě provedeného auditu jsme dne 7.5.2009 vydali zprávu k účetní závěrce, která je součástí této výroční zprávy společnosti PHARMOS, a. s. následujícího znění:

„Ověřili jsme příloženou účetní závěrku společnosti PHARMOS, a. s. tj. rozvahu k 31.12.2008 a výkaz zisku a ztráty, přehled o změnách vlastního kapitálu a přehled o peněžních tocích za období od 01.01.2008 do 31.12.2008 a přílohu této účetní závěrky, včetně popisu použitých významných účetních metod. Údaje o společnosti PHARMOS, a. s. jsou uvedeny v příloze této účetní závěrky.

„Podle našeho názoru účetní závěrka podává věrný a poctivý obraz aktiv, pasív a finanční situace společnosti PHARMOS, a. s. k 31.12.2008 a nákladů, výnosů a výsledku jejího hospodaření a peněžních toků za rok 2008 v souladu s českými účetními předpisy. „

Zpráva o výroční zprávě

Ověřili jsme soulad výroční zprávy společnosti PHARMOS, a.s. k 31.12.2008 s účetní závěrkou, která je obsažená v této výroční zprávě. Za správnost výroční zprávy je zodpovědný statutární orgán společnosti PHARMOS, a.s. Naším úkolem je vydat na základě provedeného ověření výrok o souladu výroční zprávy s účetní závěrkou.

Ověření jsme provedli v souladu s Mezinárodními auditorskými standardy a souvisejícími aplikačními doložkami Komory auditorů České republiky. Tyto standardy vyžadují, aby auditor naplánoval a provedl ověření tak, aby získal přiměřenou jistotu, že informace uvedené ve výroční zprávě, které byly převzaty z účetní závěrky či z ní použity, jsou ve všech významných ohledech v souladu s touto účetní závěrkou. Jsme přesvědčeni, že provedené ověření poskytuje přiměřený podklad pro vyjádření výroku auditora.

Podle našeho názoru jsou informace uvedené ve výroční zprávě společnosti PHARMOS, a.s. k 31.12.2008 ve všech významných ohledech v souladu s výše uvedenou účetní závěrkou.

Zpráva o zprávě o vztazích mezi propojenými osobami

Prověřili jsme též věcnou správnost údajů uvedených ve zprávě o vztazích mezi propojenými osobami společnosti PHARMOS, a.s. k 31.12.2008, která je součástí výroční zprávy. Za sestavení této zprávy o vztazích je zodpovědný statutární orgán společnosti PHARMOS, a.s. Naším úkolem je vydat na základě provedené prověrky stanovisko k této zprávě o vztazích.

Prověrku jsme provedli v souladu s Mezinárodními auditorskými standardy vtaujícími se k prověře a souvisejícími aplikačními doložkami Komory auditorů České republiky. Tyto standardy vyžadují, abychom plánovali a provedli prověrku s cílem získat střední míru jistoty, že zpráva o vztazích neobsahuje významné nesprávnosti. Prověrka je omezena především na dotazování pracovníků společnosti a na analytické postupy a výběrovým způsobem provedené prověření věcné správnosti údajů. Proto prověrka poskytuje nižší stupeň jistoty než audit. Audit zprávy o vztazích jsme neprováděli, a proto nevyjadřujeme výrok auditora.

Na základě naší prověrky jsme nezjistili žádné významné věcné nesprávnosti údajů uvedených ve zprávě o vztazích mezi propojenými osobami společnosti PHARMOS, a.s. k 31.12.2008.

V Ostravě dne 8. června 2009

Za firmu AUDIT PROFESIONAL, spol. s r.o.
Čujkovova 1736/30
700 30 Ostrava - Zábřeh
osvědčení KAČR č. 64

Ing. Miluše Vašíčková, *auditorka osvědčení KA ČR č. 1294*
a jednatelka společnosti



10. Information about Data Ascertained after 31 December 2008

In the period before the Appendix to the Annual Report was compiled, Mgr Radim Fiala was nominated as a member of the Supervisory Board (7th January 2009). On 3.3.2009, Mgr. Karel Šlégr was deleted from his position as the member of the Board of Directors. Newly specified activities were registered in the "line of business" with the Trade Register on the same date.

In February 2009, we closed the operation of the warehouse at Lukášov. The Liberec region is supplied by means of the existing warehouses in Hradec Kralové and Ústí and Labem.

11. Anticipated Development of Company

Attention shall be further devoted to the growth of sales on the supplies to pharmacies, hospitals and medical product outlets throughout the Czech Republic; increased attention shall be given to regions where PHARMOS holds a market share below 20%.

In addition, logistics shall be taken care of namely in all facilities. In 2008, we adopted efficiency measures to increase labour productivity and ensure further decrease in expenses of all sorts. We will go on in this trend in the following period as well.

12. Activities in Research, Development and the Environment Protection

PHARMOS, a.s. pursues no activities in research or development. This also applies to the area of environment protection, where our long-term effort is to pursue our business to ensure that we do not harm the environment.

In our capital construction and redevelopment projects, we make sure that these projects have no negative impact on the environment.

PHARMOS, a.s. runs no outlets or organizational constituents outside the Czech Republic. All operating premises are situated in the Czech Republic and all activities are carried out in the Czech Republic.

Ostrava, 25 May 2009



PharmDr. Ivan Šácha
Board of Directors member



PharmDr Jiří Korta
Chairman of the Board of Directors

Balance sheet 2008

Minimum binding account of information acc. to
Decree 500/2002 Coll.

BALANCE SHEET

unabbreviated

As of 31.12.2008

(rounded to CZK '000)

IČ

19010290

Trade name of accounting unit

PHARMOS, a.s

Registered office of accounting unit

Těšínská 1349/296

Ostrava - Radvanice

716 00

Identification a	ASSETS b	Current fiscal year			Previous fiscal year
		Gross 1	Correction 2	Net 3	Net 4
	TOTAL ASSETS (line 02 + 03 + 31 + 62) = line 66	3 899 758	-328 474	3 571 284	3 915 180
B.	Fixed assets (line 04 + 13 + 23)	498 420	-224 455	273 965	311 645
B. I.	Intangible fixed assets (line 05 to 12)	44 970	-44 136	834	1 121
3.	Software	18 428	-17 594	834	1 121
4.	Valuable rights	26 542	-26 542		
B. II.	Tangible fixed assets (line 14 to 22)	450 229	-180 217	270 012	307 405
B. II. 1.	Lands	14 421		14 421	15 919
2.	Structures	207 169	-46 440	160 729	186 176
3.	Machinery, tools & equipment, vehicles and fixtures	121 861	-84 402	37 459	40 908
7.	Tangible fixed assets not-in-use	177		177	
8.	Prepayments for tangible fixed assets	798		798	920
9.	Difference in valuation of acquired assets (+/-)	105 803	-49 375	56 428	63 482
B. III.	Long-term investments (line 24 to 30)	3 221	-102	3 119	3 119
3.	Other long-term securities and shares	221	-102	119	119
4.	Loans and credits – controlling entity, substantial effect				
6.	Acquired long-term investments	3 000		3 000	3 000
C.	Current assets (line 32 + 39 + 47 + 57)	3 393 669	-104 019	3 289 650	3 601 343
C. I.	Inventories (line 33 to 38)	779 059	-1 944	777 115	906 785
5.	Merchandise	777 241	-1 944	775 297	906 785
6.	Prepayments for inventories	1 818		1 818	
C. II.	Long-term debtors (line 40 to 46)	45 414		45 414	66 200
C. II. 1.	Receivables from trade relations	19 280		19 280	47 531
2.	Receivables from subsidiaries and controlled undertakings	26 134		26 134	18 669
C. III.	Short-term debtors (line 48 to 56)	2 486 267	-102 075	2 384 192	2 563 179
C. III. 1.	Receivables from trade relations	2 406 863	-102 075	2 304 788	2 471 182
2.	Receivables from controlling entities	4 000		4 000	6 182
6.	Taxes receivable				
7.	Short-term prepayments	3 743		3 743	2 549
8.	Estimated receivables	69 482		69 482	80 741
9.	Other receivables	2 179		2 179	2 525
C. IV.	Short-term investment (line 58 to 61)	82 929		82 929	65 179
C. IV. 1.	Cash	1 580		1 580	2 870
2.	Bank accounts	69 034		69 034	48 149
3.	Short-term securities and shares	12 315		12 315	14 160
D. I.	Accruals and deferrals (line 63 to 65)	7 669		7 669	2 192
D. I. 1.	Deferred expenses	879		879	1 603
3.	Accrued income	6 790		6 790	589

Identification a	LIABILITIES b		Current fiscal year	Prior fiscal year
			5	6
	TOTAL LIABILITIES (line 67 + 84 + 117) = line 001		3 571 284	3 915 180
A.	Equity (line 68 + 72 + 77 + 80 + 83)		576 858	565 120
A. I.	Registered capital (line 69 to 71)		342 800	342 800
A. I. 1.	Capital stock		342 800	342 800
A. III.	Reserve fund, indivisible fund and other funds from profit (line 78 + 79)		176 005	176 005
A. III. 1.	Statutory reserve fund /indivisible fund		140 000	140 000
A. III. 2.	Statutory and other funds		36 005	36 005
A. IV.	Retained profit or loss from prior years (line 81 + 82)		46 314	32 402
A. IV. 1.	Retained profit of prior years		46 314	32 402
A. V.	Profit/loss of current year (line 01 - 68 - 72 - 77 - 80 - 84 - 117) = line 60 of Profit and Loss Account, unabbreviated		11 739	13 913
B.	Liabilities (line 85 + 90 + 101 + 113)		2 991 855	3 349 836
B. I.	Reserves (line 86 to 89)			18 638
4.	Reserves according to the relevant legal regulations			18 638
B. II.	Long-term payables (line 91 to 100)		12 421	16 603
10.	Deferred tax liability		12 421	16 603
B. III.	Short-term payables (line 102 to 112)		1 343 239	1 360 867
B. III. 1.	Payables from trade relations		1 273 491	1 309 287
2.	Payables to controlling entity		4 000	
4.	Payables to partners and consortium members		21	21
5.	Account payable to employees		6 997	6 594
6.	Payables from social security and health insurance		3 822	3 475
7.	Taxes payable and subsidies		22 977	12 142
8.	Short-term advance payments received		6 861	7 822
10.	Anticipated liabilities		24 922	21 406
11.	Other creditors		148	120
B. IV.	Bank loans and borrowings (line 114 to 116)		1 636 195	1 953 728
B. IV. 1.	Long-term bank loans			
2.	Short-term bank loans		1 636 195	1 953 728
C. I.	Accruals and deferrals (line 118 + 119)		2 571	224
C. I. 1.	Accrued expenses		2 494	151
2.	Accrued income		77	73

Compiled on: 27.04.2009	Approved on: 27.04.2009	Signature of the statutory body of the accounting unit 
Legal form of the accounting unit: joint stock company		Subject of enterprise: Purchase of goods for sale and resale
Incorporated in the Company Register on file by the Regional Court in Ostrava, Section B, Insert 188		

Minimum binding account of information acc. to Decree 500/2002 Coll.

PROFIT AND LOSS STATEMENT

unabbreviated

as of 31.12.2008

(rounded to CZK '000)

ID No.

19010290

Trade company of the accounting unit
PHARMOS, a.s.

Registered office of the accounting unit

Těšínská 1349/296

Ostrava - Radvanice

716 00

Identification a	TEXT b	Figures posted during fiscal year	
		current 1	previous 2
I.	Sales of goods purchased for resale	11 864 300	11 530 913
A.	Cost of goods sold	11 558 197	11 181 387
+	Gross margin (line 01 - 02)	306 103	349 526
II.	Production (line 05 to 07)	154 377	157 927
II. 1.	Sale of own products and services	154 377	157 927
B.	Purchased consumables and services (line 09 + 10)	167 537	166 681
B. 1.	Consumption of material and energy	22 008	25 029
B. 2.	Services	145 529	141 652
+	Added value (line 03 + 04 - 08)	292 943	340 772
C.	Staff costs (line 13 až 16)	162 164	164 715
C. 1.	Wages and salaries	115 611	117 605
C. 3.	Social security and health insurance	38 575	39 071
C. 4.	Social benefits	7 978	8 039
D.	Taxes and charges	4 722	1 522
E.	Depreciations of tangible and intangible fixed assets	25 169	27 749
III.	Sale of fixed assets and materials (line 20 + 21)	63 571	487
III. 1.	Sale of fixed assets	63 231	487
III.2.	Sale of materials	340	
F.	Net book value of sold fixed assets and materials (line 23 + 24)	20 409	195
F. 1.	Net book value of sold fixed assets	20 409	195
G.	Change in reserves and adjusting entries in the area of operations and complex retained expenses accrued (+/-)	4 658	24 734
IV.	Other operating income	36 153	11 641
H.	Other operating expenses	42 633	28 719
*	Income from operations [line 11 - 12 - 17 - 18 + 19 - 22 - (+/-25) + 26 - 27+ (-28) - (-29)]	132 912	105 266
VI.	Sales from sold securities and shares	1 845	
J.	Securities and shares sold	1 845	
X.	Interest receivable	3 223	4 899
N.	Interests payable	90 523	77 444
XI.	Other financial income	13 934	18 575
O.	Other financial expenses	34 623	33 536
*	Financial profit and loss [line 31 - 32 + 33 + 37 - 38 + 39 - 40 - (+/-41) + 42 - 43 + 44 - 45 + (-46) - (-47)]	-107 989	-87 506
Q.	Income tax on ordinary activities (line 50 + 51)	13 184	3 849
Q. 1.	- due	17 367	11 620
Q. 2.	- deferred	-4 183	-7 773
**	Profit and loss from ordinary activities (line 30 + 48 - 49)	11 739	13 913
***	Profit and loss of current year (+/-) (line 52 + 58 - 59)	11 739	13 913
****	Profit and loss before tax	24 923	17 760

Compiled on: 27.04.2009

Signature of the statutory body of the accounting unit

Legal form of the accounting unit: joint stock company

Subject of enterprise: Purchase of goods for sale and resale

Incorporated in the Company Register kept on file by the Regional Court in Ostrava, Section B, Insert 188

Česká lékárnická, a.s.

(ID No.: 63080877)

Board of Directors: PharmDr. Jiří Korta, Ing. Oldřich Fiala, Ing. René Butkov, Ph.D.
Supervisory Board: PharmDr. Petr Bárta, PharmDr. Petr Byrtus, Mgr. Marek Hampel,
Mgr. Jaroslav Veselka, PharmDr. Dušan Holečko, RNDr. Miroslav Linhart

Pharmos, a.s. (ID No.: 19010290)

Board of Directors: Ing. Roman Kejzlar, PharmDr. Ivan Šácha,
Alena Marynčáková, Mgr. Jaroslav Němeček, Mgr. Karel Šlegl
Supervisory Board: Helmut Kraft, PharmDr. Petr Nalevajka,
Mgr. Ilona Moravcová, Mgr. Lea Lesáková, Ing. Oldřich Fiala,
Christoph Näll

Lekis, a.s. (ID No.: 25356089)

Executive: Ing. Petr Hála, Ing. Oldřich Fiala
Supervisory Board: none

THERÁPON 98, a.s. (ID No.: 25399195)

Board of Directors: Ing. Roman Kejzlar, Mgr. Radim Fiala,
MUDr. Pavel Holaň
Supervisory Board: Ing. Oldřich Fiala, Ing. Jan Šula, Ing. Svatava Kocurková

Pražská lékárnická, s.r.o. (ID No.: 25633741)

Executive: Mgr. Jana Losová
Supervisory Board: PharmDr. Martin Mikuš, PharmDr. Vlastimil Nárožný, PharmDr. Petr Slaviček

Jihlavská lékárnická, s.r.o. (ID No.: 25534459)

Executive: mgr. Martin Bakaj
Supervisory Board: PharmDr. Otmar Krásl, Mgr. Leoš Mareček,
PharmDr. Jaromír Weber

Plzeňská lékárnická, s.r.o. (ID No.: 25238213)

Executive: Jindřich Klenc
Supervisory Board: Ing. Petr Šmíd, Mgr. Ludmila Burdová,
PharmDr. Eduard Kantor

PHARMACY-distribuce léčiv, s.r.o. (ID No.: 65139577)

Executive: Martin Cigánek, Ing. Hana Hájková, Ing. Oldřich Fiala
Supervisory Board: none

GALMED, a.s. (ID No.: 47672145)

Board of Directors: PharmDr. Kamil Rössler, Mgr. Jana Losová,
PharmDr. Petr Bárta
Supervisory Board: Ing. Oldřich Fiala, PharmDr. Radim Bakoš,
PharmDr. Petr Nalevajka

LEKTRANS, s.r.o. (ID No.: 27779271)

Executive: Stanislav Hrubý, Roman Pospíšil, Jaromír Pospíšil,
Leoš Nesvadba

Pharmos, a.s. (Slovensko, IČ: 35974559)

Board of Directors: Ing. Marián Gurina, Roman Múdry, PharmDr.
Jiří Korta,
Supervisory Board: Miroslav Lukáč, PharmDr. Štefan Grešák,
Ing. Oldřich Fiala

Notes to Financial Statement of PHARMOS a.s. as of 31 December 2008

The Notes are issued in accordance with the Ministry of Finance Decree 500/2002 Coll. of 6 November 2002, implementing some provisions of Act 563/1991 Coll., concerning accountancy, as amended by subsequent regulations, for accounting units with double-entry bookkeeping. The data in the Notes are based on the bookkeeping papers of the accounting unit (accounting documents, books and other papers) and on other data available to the accounting unit. The values are expressed in thousands of CZK, unless stated otherwise.

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General data

1. Description of accounting unit (II.1)

Trade name: **PHARMOS, a.s.**

Registered office: Těšínská 1349/296, Ostrava-Radvanice, Postcode: 716 00

Legal form: Joint-stock company

ID No.: 19010290

VAT No.: CZ19010290

Subject of enterprise:

- Purchase of goods for sale and resale
- Organization of cultural, sports, community and education events (except Section 3, Paragraph 9)
- Advisory services (except accounting, economic, organizational) and consultants

Major subject of enterprise:

- Purchase of goods for sale and resale

Establishment of company:

The company was established on 30 April 1991 upon its incorporation in the Commercial Register kept on file at the Regional Court in Ostrava, Section B, Insert 188.

Start of operation of the accounting unit: 30.4.1991

BALANCE SHEET DATE 31.12.2008

DATE OF FINANCIAL STATEMENT 27.04.2009

INFORMATION CONCERNING IMPLEMENTED OR FORESEEN TRANSFORMATION OF THE COMPANY

The accounting unit does not plan any transformation of the company.

INFORMATION CONCERNING CHANGES IN FISCAL YEAR

The accounting unit does not plan to shift to a marketing year

Incorporated registered capital:

Total volume: CZK 342,800,000 (100% paid-up)

Incorporated on 10 September 2004 on the basis of a decision adopted by the Shareholders' Meeting in March 2004

Shares:

- 275 registered shares at a nominal value of CZK 1,000,000
- 5710 bearer shares at a nominal value of CZK 5,000
- 13 registered shares with a nominal value of CZK 50,000
- 386 registered shares with a nominal value of CZK 100,000

Persons holding shares in the registered capital of the accounting unit exceeding 20%:

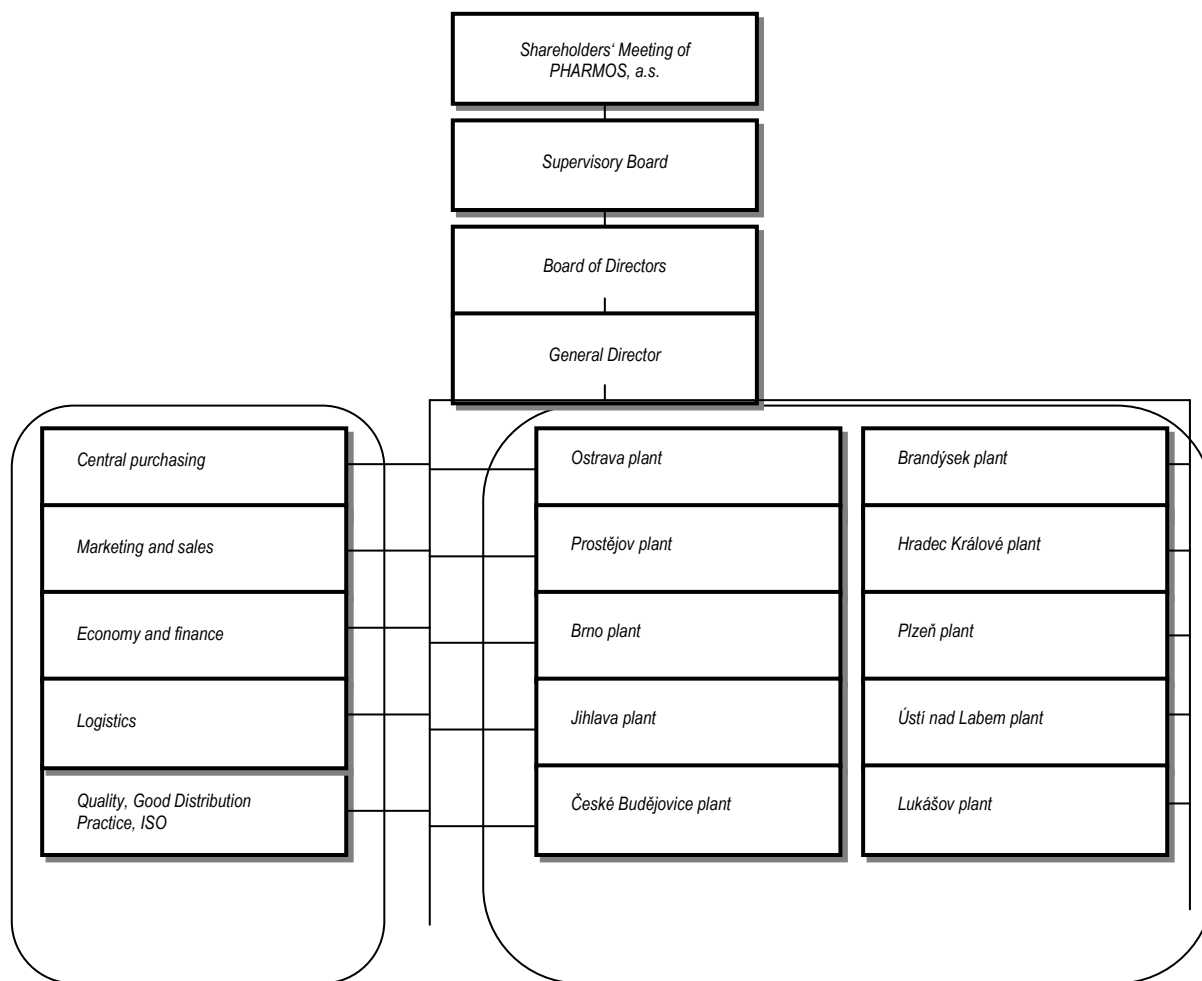
Name of individual or trade name of corporation	Residence, registered office	As of 31 Dec 2008		As of 31 Dec 2007		As of 31 Dec 2006		As of 31 Dec 2005	
		i.e. %	Share	i.e. %	Share	i.e. %	Share	i.e. %	Share

PHOENIX International Beteiligungs GmbH	Mannheim, Germany	28.00	96,000	28.00	96,000	28.00	96,000	28.00	96,000
Česká lékárnická, a.s.	Těšínská 1349/296, 71600 Ostrava- Radvanice, Czech Republic	71.55	245,280	71.55	245,280	71.55	245,280	71.55	245,280

Organizational structure of accounting unit and any significant changes thereof during the previous fiscal year:

There were no significant changes to the organizational structure as compared to the situation during the previous year.

Fig. 2: Organizational structure of PHARMOS, a.s.



Members of statutory and supervisory bodies as of the balance sheet date:

Title	Last name	Name	Degree	Note
Chairman of the Board of Directors	Korta	Jiří	PharmDr	Membership commencement date 4 th September 2008 - entry in SL OR 20.10.2008
Member of the Board of Directors	Šácha	Ivan	PharmDr.	
Member of the Board of Directors	Marynčáková	Alena		
Member of the Board of Directors	Němeček	Jaroslav	Mgr.	
Member of the Board of Directors	Šlégr	Karel	Mgr.	Membership termination date 18.12.2008 – entry in SL OR 03.03.2009
Chairman of the Supervisory Board	Kraft	Helmut	Dr.	
Member of the Supervisory Board	Nalevajka	Petr	PharmDr.	
Member of the Supervisory Board	Mravcová	Iлона	Mgr.	
Member of the Supervisory Board	Lesáková	Lea	Mgr.	
Member of the Supervisory Board	Fiala	Oldřich	Ing.	
Member of the Supervisory Board	Nöll	Christoph		

Entries made in the dossier of the Commercial Register

The following alterations in the dossier of the Commercial Register were made on 20.10.2008:

- Ing. Roman Kejzlar deleted from the Board of Directors as a member, membership terminated on 15.05.2008,
- PharmDr. Jiří Korta entered as the new chairman of the Board of Directors, membership commenced on 04.09.2008,

2. Property or contractual interests of the accounting unit in other companies (II.2)

Ownership interests exceeding 20% - none

3. Company employees, staff costs (II.3)

Item	Employees total		Of this: members of management	
	2008	2007	2008	2007
Average headcount	635	672	72	69
Wages and salaries	115.611	117.605	24.932	23.570
Social security expenses	38.575	39.071	7.876	7.638
Social benefits	7.978	8.039	576	580
Cost of staff, total	162.164	164.715	33.384	31.788

Remuneration to members of statutory and supervisory bodies	2008	2007
Remuneration to members of statutory bodies	0	400
Remuneration to members of supervisory bodies	0	260
Total	0	660

4. Compensations and benefits (II.4)

No former or current members of the statutory, management and supervisory bodies were awarded any compensations or benefits during the course of the fiscal year. According to the Statutes, members of the Board of Directors are employees of PHARMOS, a.s.

Applied accounting methods, general accounting principles and methods of evaluation (III)

The presented Financial Statement was processed in accordance with Act 563/1991 Coll., concerning accountancy, and Notice by the Czech Ministry of Finance No. 500/2002 Coll., implementing some provisions of Act 563/1991 Coll., concerning accountancy, as amended by subsequent regulations, for accounting units with double-entry bookkeeping, and the applicable Czech Accounting Standards.

1. Method of asset evaluation (III.2.1)

1.1. Stock

Accounting of stock (III.2.1.a)

- According to method A of stock recording

Release of stock from warehouse is accounted:

- using the FIFO method

Evaluation of stock (III.2.1.a) (III.2.3.)

- Evaluation of stock created at own costs:
 - not applied during the year
- Evaluation of purchased stock:
 - in actual acquisition prices, including:
 - price of acquisition
 - secondary acquisition costs:
 - transport expenses
 - customs

1.2. Evaluation of tangible and intangible fixed assets

Tangible and intangible fixed assets are evaluated on the basis of the acquisition prices, i.e. prices for which such assets were acquired (price of acquisition) and expenses related to the acquisition (secondary acquisition costs).

As regards tangible and intangible fixed assets acquired on the basis of a non-monetary deposit of Česká lékárnická a.s. in PHARMOS, a.s., the acquirer (i.e. PHARMOS, a.s.) continues – from the tax perspective – in the depreciations commenced by the original owner, in accordance with Section 30, Paragraph 10, Letter b) of the Income Tax Act, i.e. the entry price for the evaluation of assets in the company's books is the net book value of such assets at the depositor.

In connection with the implementation of a non-monetary deposit of Česká lékárnická, a.s., PHARMOS, a.s. also registers, as of 1 January 2002, an adjustment to the acquired assets in a total amount of CZK 105,803 thousand; this adjustment represents the differences in the accounting evaluation of the subject of the non-monetary deposit with the depositor adopted in the accountancy books of the acquirer (i.e. PHARMOS, a.s.) and the evaluation provided by 2 independent experts appointed by the court for the evaluation of the non-monetary deposit of Česká lékárnická, a.s., i.e. Ing. Petr Korč (an expert appointed by the Regional Court in Ostrava on 30 November 1983, ref. No. 4056/83, for the fields of economy, prices and assessment of real property, vehicles, machinery, devices and systems, market evaluation of enterprises; the expert's report is registered under ref. No. 22036) and Mgr. Pavel Procházka (an expert appointed by the Regional Court in Ostrava on 25 October 2001, ref. No. 3476/2001 for the fields of economy, specializing in prices and assessment of enterprises.; the expert's report is registered under ref. No. 07-05/2002). The expert report was made out in order to ascertain the actual status on the basis of the pertinent assessment methodology, as of the assessment record date, i.e. 31 December 2001. The synthesis of the methods used for the calculation of the market value (normal value calculated with the use of the substance method and normal value of the non-monetary deposit calculated with the use of the return method of discounted net flows into the company) was conducted with the use of the method of weighted average. The value of the non-monetary deposit of the depositor (Česká lékárnická, a.s.) while maintaining the going concern assumption was determined at CZK 180,787 thousand.

1.3. Evaluation of securities and ownership interests (III.2.1.c)

During the fiscal year concerned, the company owned securities and ownership interests evaluated on the basis of acquisition prices.

1.4. Evaluation of livestock increments (III.2.1.d)

The company does not have any assets of this category.

2. Determination of reproduction acquisition price (III.2.2)

During the current or previous fiscal year, the company did not make use of reproduction acquisition prices.

3. Changes in evaluation, depreciations and accounting proceedings (III.2.4)

During the fiscal year concerned, the accounting unit reported no changes regarding the accounting methods.

4. Adjustments to assets (III.2.5)

Adjustment	Method of determining		Source of information concerning the determining of adjustment amount					
Adjustment to financial investments	% of the value of financial investment (deposit)		Registration of securities and deposits					
Adjustment to stock	Stock expiring within 3 months: 100% of the stock value. Stock expiring within 6 months: 30% of the stock value.		Stock records					
Adjustment to receivables	Statutory adjustments are created depending on the number of months overdue (i.e. for receivables overdue for a period exceeding 6 months, adjustments are generated at the amount of 20% For receivables for which court proceedings have been initiated, the adjustment is created as follows: overdue for a period exceeding 12 months: 33% overdue for a period exceeding 18 months: 50% overdue for a period exceeding 24 months: 66% overdue for a period exceeding 30 months: 80% overdue for a period exceeding 36 months: 100% An adjusting entry is created to receivables against companies under bankruptcy in the amount of 100%.		Accounts receivable ledger, book inventory and recording of legal proceedings					
Adjustments to:	Balance as of 1 Jan		Additions		Payments		Balance as of 31 Dec	
	2007	2008	2007	2008	2007	2008	2007	2008
Tangible and intangible fixed assets	-	-	-	-	-	-	-	-
Stock	3.355	1.802	-	142	1.553	-	1.802	1.944
Financial investments	102	102	-	-	-	-	102	102
Receivables - statutory	71.770	85.419	13.649	23.154	-	6.498	85.419	102.075
Other receivables	-	-	-	-	-	-	-	-

5. Depreciations (III.2.6)

The depreciation plan concerning tangible fixed assets was defined by the accounting unit in its internal directives, based on the assumed wear and tear of the registered property corresponding to the standard conditions of its use; the accounting and tax depreciations are not equal.

The depreciation plan concerning intangible fixed assets was defined during the period concerned with respect to the period during which such assets were used. The accounting and tax depreciations are not equal.

In the depreciation of tangible and intangible fixed assets, there were no changes in 2008 reported compared to the previous years. Depreciation plans are compiled separately for each individual property. The accounting depreciations are defined as an even percentage during the entire service life of such tangible and intangible fixed assets. Tax depreciations of tangible fixed assets are determined according to the pertinent provisions of the Income Tax Act, as linear (i.e. equal) and accelerated depreciations. As regards tangible fixed assets, the accounting and tax depreciations are not equal.

As regards tangible and intangible fixed assets acquired on the basis of a non-monetary deposit of Česká lékárnická a.s. in PHARMOS, a.s., the acquirer (i.e. PHARMOS, a.s.) continues – from the tax perspective – in the depreciations commenced by the

original owner, in accordance with Section 30, Paragraph 12, Letter b) of the Income Tax Act, i.e. the entry price for the evaluation of assets in the company's books is the net book value of such assets at the depositor.

Depreciation system of petty intangible and tangible fixed assets

Petty tangible fixed assets are reported at a separate analytical account 022028 - Petty tangible fixed assets. Tangible fixed assets can be classified as petty on condition that they do not fulfil the conditions for being classified as tangible fixed assets and this concerns office furniture (without limitation of the acquisition price lower limit), office equipment and machinery with the acquisition price exceeding the amount of CZK 3,000 excl. VAT and the service life exceeding 1 year, other separate assets with the acquisition price exceeding the amount of CZK 5,000 excl. VAT and the service life exceeding 1 year, or assets classified in listed categories according to internal directives.

Petty tangible assets falling outside the conditions above are reported as company's expenses at account 501 - Consumption of material.

Petty intangible fixed assets are reported at a separate analytical account 013018 - Petty intangible fixed assets. Intangible fixed assets can be classified as petty on condition that they do not fulfil the conditions for being classified as fixed assets and this concerns intangible assets with the acquisition price exceeding the amount of CZK 10,000 excl. VAT.

As of 1 January 2003, petty intangible assets and petty tangible assets are depreciated over a period of 24 months.

Petty intangible assets falling outside the conditions above are reported as company's expenses at account 518 – Other services.

Adjustments to acquired assets are depreciated evenly during a period of 15 years.

6. Conversion of foreign currency to Czech currency (III.2.7)

In the conversion of foreign currencies to the Czech currency, the company makes use of:

- current daily exchange rate announced by the Czech National Bank (daily exchange rates are valid for the entire following business day). As of the balance sheet date, receivables, cash and liabilities were recalculated using the CNB exchange rate valid as of 31 December 2008.

7. Determination of deferred tax

In accordance with the Czech Accounting Standard 3 (hereinafter the CAS), the accounting unit reported deferred tax from previous accounting and tax differences:

Item	Fiscal year	
	current	prior
RESIDUAL VALUE (ACCOUNTING) > RESIDUAL VALUE (TAX)	-21.508	-21 974
Outstanding default interest - receivable	-14.849	-4 244
Unapplied reinvestment	-	-
Adjustments to acquired assets, by 31 Dec 2004	-56.428	-63 482
Total taxable	-92.785	-89 700
Deferred tax liability (2007-21%, 2008-20%)	-17.778	-17 128
RESIDUAL VALUE (ACCOUNTING) < RESIDUAL VALUE (TAX)	-	-
Adjustments to securities	-	-
Adjustments to stock	1.944	1 802
Adjustments to acquired assets	-	-
Accounting adjustments to receivables	22.252	-
Accounting reserves	-	-
Outstanding property transfer tax	1.909	-
Outstanding penalties	681	697
Unapplied reinvestment	-	-
Unapplied tax loss	-	-
Total deductibles	26.786	2 499
Deferred tax liability (2007-21%, 2008-20%)	5.357	525
Deferred tax, total (+ receivables / - liabilities)	-12.421	-16 603

* 19% rate was used for calculation of the deferred tax on long-term assets and for adjusting entries to the assets acquired.

8. Cash flow

The accounting unit calculates the cash-flow by the indirect method. For the purpose of definition of cash-flow definition the following was considered as finances and equivalents: money in the treasury and in banks, valuables, short-term securities, and shares.

9. Information on deviations from methods according to Par. 7 Sect. 5 of the Act on Accounting

In 2008, the accounting unit did not show deviations from the methods as per Par. 7, Sect. 5 of the Act on accounting.

10. Information on alterations in accounting methods between periods

There were no changes in accounting methods between the individual accounting periods

1. Data critical for the assessment of the property and financial situation of the company (IV.1)

1.1. Back income tax for previous fiscal years

For the prior fiscal year, the company posted a back income tax in the amount of CZK 6 773 thousand.

1.2. Long-term bank loans

The company filed a long-term credit in the amount of Kč 60,000,000.00 to purchase a storehouse and a piece of land at Hudcova 72, Brno (LV No. 1389, Medlánky cadastral area, KÚ Brno). The credit was paid back on 22.9.2008.

Maturity	Total loans	
	2008	2007
Payable according to a long-term schedule		
Payable within 1 year	0 mil.	9. mil.
TOTAL	0 mil.	9.mil.

1.3. Breakdown of subsidies accepted for investment and operating purposes

Reason for subsidy	Provider	2008	2007
No subsidies for investment or operating purposes accepted		-	-
TOTAL		-	-

1.4. Short-term investments

As of the Financial Statement date, the company posts Short-term investments in the amount of CZK 12.315 thousand. These are shares of Česká lékárnická, a.s., purchased from the original share owners under the Moje lékárna (My Pharmacy) project. The aim of the project is to further increase the company's sales. The shares purchased under the Moje lékárna (My Pharmacy) project will be offered to pharmacists on a reciprocal basis for an increase in the volume of sales – in accordance with a resolution of the Shareholders' Meeting of Česká lékárnická, a.s.

2. Important events following the Financial Statement date (IV.2)

Mgr. Radim Fiala was nominated (on 7th January 2009) to a post of supervisory board member in the period before the appendix to the final accounts was compiled.

A change in the Commercial Register was made in the period before the date of compilation of appendix to the final accounts – on 3.3.2009, Mgr. Karel Šlégr was deleted from the post of a member of the Board of Directors

The operation of Lukášov storehouse was terminated in February 2009.

On 3.3.09, the following activities were newly specified in the section "subject of enterprise" of the Commercial Register.

3. Additional information concerning tangible and intangible fixed assets

3.1. Main categories of tangible fixed assets (IV.3.1.a)

Category	Acquisition price		Allowances		Net book value		Increase (acquisition price)	Decrease (net book price, depreciations)
	2008	2007	2008	2007	2008	2007	2008	2008
Lands	14.421	15.919	-	-	14.421	15.919	-	1.498
Buildings, halls, structures	207.169	230.814	46.440	44.638	160.729	186.176	612	26 059

Machinery, tools & equipment, vehicles and fixtures	121.861	116.407	84.402	75.499	37.459	40.908	6 845	10 294
-Machinery, devices, equipment,	76.663	72.248	42.837	37.407	33.826	34.841	5.354	6 369
a) Vehicles	4.496	4.563	3.771	3.502	725	1.061	334	670
b) Inventory	6.971	6.970	5.850	5.392	1.121	1.578	-	457
Other tangible fixed assets	33.731	32.626	31.944	29.198	1.787	3.428	1.157	2 798
Tangible fixed assets in progress	177	-	-	-	177	-	-	-
Adjustments to acquired assets	105.803	105.803	49.375	42.321	56.428	63.482	-	7 054

Prepayments for tangible fixed assets as of 31 December 2008 were CZK 798 thousand.

3.2. Intangible fixed assets (IV.3.1.b)

Category	Acquisition price		Allowances		Net book value		Increase (acquisition price)	Decrease (net book price, depreciations)
	2008	2007	2008	2007	2008	2007	2008	2008
Software	17.108	16.726	16.351	15.776	757	950	382	575
Valuable rights	26.542	26.542	26.542	26.542	0	0	-	-
Other intangible fixed assets	1.319	1.309	1.244	1.139	75	170	10	105
Intangible fixed assets in progress	0	-	-	-	0	-	0	-

Prepayments for intangible fixed assets as of 31 December 2008 were CZK 0.

3.3. Tangible fixed assets acquired in the form of financial lease (IV.3.1.c)

(Financial leasing with subsequent purchase of the leased item, together according to individual categories of assets, figures excl. VAT, except for passenger vehicles.

Summary of financial leasing		Total value	First instalment (prepayment)	Total instalments	Instalments paid	Instalments to be paid	
						within 1 year	after 1 year
Current fiscal year – 2008	Passenger vehicles, utility vehicles, stock equipment	7.415	1.622	5.793	3.101	1.169	1.523
Previous fiscal year – 2007	Passenger vehicles, utility vehicles, stock equipment	12.572	3.814	8.758	3.321	1.843	3.594

3.4. Tangible fixed assets acquired in the form of operative lease

The company does not acquire any assets via operative lease

3.5. Total amount of off-balance assets (IV.3.1.e)

The accounting unit reports no such assets as of the balance sheet date.

3.6. Breakdown of tangible fixed assets subject to right of lien (IV.3.1.f)

Current year – 2008

Property	Book value	Security	Purpose	Duration	Liability
Warehouse complex Ostrava-Radvanice (building and land)	Buildings - approximately CZK 94 million in acquisition price	Entry of right of lien to Certificate of Ownership registered by the Real Estate Registry.	021000- Buildings, halls, structures 031000 - Lands	During the period of the credit contract according to the credit and security agreement	Based on credit contracts entered into with financial institutions.

Warehouse complex Brno (building and land) Land - approximately CZK 7 million in acquisition prices.

Previous year – 2007

Property	Book value	Security	Purpose	Duration	Liability
Warehouse complex Ostrava-Radvanice (building and land)	Buildings - approximately CZK 216 million in acquisition price (approximately CZK 178 million in net book prices) Land - approximately CZK 14 million in acquisition prices.	Entry of right of lien to Certificate of Ownership registered by the Real Estate Registry.	021000- Buildings, halls, structures 031000 - Lands	During the period of the credit contract according to the credit and security agreement	Based on credit contracts entered into with financial institutions.
Warehouse complex Prostějov (building and land)					
Warehouse complex Brandýsek (building and land)					
Warehouse complex Ostrava-Švabinského (building and land)					
Warehouse complex Hradec Králové (building and land)					
Warehouse complex Brno (building and land)					

3.7. Summary of assets with significant differences between market and book values (IV.3.1.g)

Assets	Book value	Market value
Terminated leasing agreements (before 31 Dec 2008 incl. prior years)	135	3.211
Terminated leasing agreements (before 31 Dec 2007 incl. prior years)	135	3.623
Terminated leasing agreements (before 31 Dec 2006 incl. prior years)	129	3.162

3.8. Long-term investments – securities and ownership interests (IV.3.1.h)

Summary of securities and ownership interests in and outside the Czech Republic (subsidiaries and associates).

Current year – 2008

Trade name	Registered office	Acquisition price	Share (%)	Adjustment	Dividends	Profit/loss of current year
AGB Praha a.s.	Prague, CR	102		102	-	-
Lekis s.r.o.	Ostrava, CR	119	17.7 %	-	-	-

Previous year – 2007

Trade name	Registered office	Acquisition price	Share (%)	Adjustment	Dividends	Profit/loss of current year
AGB Praha a.s.	Prague, CR	102		102	-	-
Lekis s.r.o.	Ostrava, CR	119	17.7 %	-	-	-

3.9. Long-term assets – other information

In 2008, the real estate – the premises in Švabinský street in Ostrava were sold.

4. Equity (IV.3.3)-

4.1. Increase or decrease in equity (IV.3.3.a,b)

	As of 31 Dec 2008	As of 31 Dec 2007
Registered capital	342.800	342.800
Changes in registered capital	0	0
Statutory reserve fund	140.000	140.000
Capital funds – share premium	0	0
Statutory and other funds	36.005	36.005
Retained profit of prior years	46.314	32.402
Accumulated loss from previous years	-	-
Profit or loss of current year	11.739	13.913
Equity capital, total	576.858	565.120

Pursuant to a decision of the Shareholders' Meeting, the profit generated in 2007 was divided as follows:

Allocation for dividends (gross dividend)	-
Allocation to royalties for statutory and supervisory bodies	-
Allocation to reserve fund	-
Allocation to statutory and other funds	-
Transfer to retained profit from previous years	13.913
Allocation to increase in registered capital	-
Profit / loss for 2007, total	13.913

Proposal for the distribution of profit generated during current year:

A proposal for the distribution of profit generated during current year will be presented by the Board of Directors for approval during Shareholders' Meeting.

4.2. Registered capital (IV.3.3.c)

Current year – 2008

Types of shares	Number of shares	Nominal value	Outstanding shares	Maturity period
Registered shares	275	CZK 1,000,000	-	-
Registered shares	13	CZK 50,000	-	-
Bearer shares	5710	CZK 5,000	-	-
Registered shares	386	CZK 100,000	-	-

Previous year – 2007

Types of shares	Number of shares	Nominal value	Outstanding shares	Maturity period
Registered shares	275	CZK 1,000,000	-	-
Registered shares	13	CZK 50,000	-	-
Bearer shares	5710	CZK 5,000	-	-
Registered shares	386	CZK 100,000	-	-

5. Receivables and liabilities (IV.3.2, 3.4)

5.1. Overdue receivables (IV.3.2.a)

Number of days	As of 31 Dec 2008		As of 31 Dec 2007	
	Trade debtors	Other debtors	Trade debtors	Other debtors
Less than 30	347.374	-	317.082	-
31 – 60	108.282	-	80.511	-
61 – 90	17.164	-	28.654	-
91 – 180	12.015	-	47.493	-
181 and more	98.012	-	80.717	-

5.2. Overdue liabilities (IV.3.4.a)

Number of days	As of 31 Dec 2008		As of 31 Dec 2007	
	Trade creditors	Other creditors	Trade creditors	Other creditors

	81.341	-	301.770	-
Less than 30				
31 – 60	-3.136	-	31.107	-
61 – 90	-1.253	-	6.448	-
91 – 180	174	-	8	-
181 and more	11.943	-	-286	-

5.3. Receivables and liabilities with regard to group members (IV.3.4.b)

Debtor	Receivables from consortium members		As of 31 Dec 2008		As of 31 Dec 2006	
	Total	Overdue	Total	Overdue	Total	Overdue
	Plzeňská lékárnická s.r.o. (ID No.:25238213)	94.992	57.271	148.759	9.802	
Česká lékárnická a.s. (ID No.: 63080877)	0	0	1	-		
Pražská lékárnická s.r.o. (ID No.: 25633741)	96.323	28.499	112.729	15.513		
Jihlavská lékárnická s.r.o. (ID No.: 25534459)	90.533	42.869	51.020	6.438		
Lekis s.r.o. (ID No.: 25356089)	89	0	162	-		
PHARMACY-distribuce léčiv s.r.o.(ID No.: 65139577)	199.456	93.188	208.861	910		
THERÁPON 98, a.s. (ID No.: 25399195)	33	0	105	-		
GALMED a.s. (ID No.:47672145)	662	26	305	92		
Lektrans s.r.o. (ID No.:27779271)	0	0	23	10		
Pharmos, a.s. Sk. (ID No.:35974559)	0	0	8.867	8.846		

Up to 31.12.2008, we file the undermentioned loans accepted:
Galmed a.s. - 4.000 thousand

Up to 31.12.2008, we file the undermentioned loans provided:
Lekis, s.r.o. CZK 4,000 thousand
PHARMOS, a.s. Sk. CZK 26.134 thousand
These loans are in the maturity period.

Creditor	Liabilities to consortium members		As of 31 Dec 2008		As of 31 Dec 2007	
	Total	Overdue	Total	Overdue	Total	Overdue
	Plzeňská lékárnická s.r.o. (ID No.:25238213)	0	-	-	-	
Česká lékárnická a.s. (ID No.: 63080877)	710	635	45	-		
Pražská lékárnická s.r.o. (ID No.: 25633741)	0	-	80	-		
Jihlavská lékárnická s.r.o. (ID No.: 25534459)	330	-	-	-		
Lekis s.r.o. (ID No.: 25356089)	168	3	850	-		
PHARMACY-distribuce léčiv s.r.o.(ID No.: 65139577)	745	-	62	-		
THERÁPON 98, a.s. (ID No.: 25399195)	0	-	-	-		
GALMED a.s. (ID No.:47672145)	-274	0	2.300	-		
Lektrans s.r.o. (ID No.:27779271)	2.947	942	2.971	-		
Pharmos, a.s. Sk. (ID No.:35974559)	208	208	2.254	2.254		

5.4. Receivables and liabilities based on application of right of lien and security (IV.3.2.c, 3.4.c)

A significant part of the Company's receivables is covered by a right of lien in favour of the crediting bank institutes.

5.5. Receivables and liabilities not included in books and off-balance liabilities (IV.3.4.d)

(guarantees assumed for another enterprise on the basis of a bank loan, letter of credit or law of exchange, unless an accounting reserve has been created)

Type of guarantee	CO	RER
Bank guarantees provided to entities – Lekis s.r.o.	-	
Accepted mortgage right in real estates - PharmDr. Bystroňová	2012	Havířov
Accepted mortgage right in real estates - PharmDr. Petriláková	1446	Mariánské Hory
Accepted mortgage right in real estates – RNDr. Lukešová	1846	Uherský Ostroh
Accepted mortgage right in real estates – RNDr. Berek Bohuslav	3991	Poruba-sever
Accepted mortgage right in real estates – KRATEGUS	1971	Rýmařov
Accepted mortgage right in real estates – KRATEGUS	4675	Opava
Accepted mortgage right in real estates – PharmDr. Bobková	11982	Ústí nad Labem

5.6. Accruing of important groups of other receivables

Interest-bearing loans to customers represent an important group of receivables (trade debtors).

Of the total volume granted in 2008, the most important part is represented by loans for the financing of receivables (a form of an interest-bearing timetable for repayment) and short-term bridging loans for a period of approximately 3-5 months (total share in the total volume of approximately 75%). The remaining part is represented by the financial interest-bearing loans for assistance in the solution of business plans concerning the development of pharmacies. Each contract is provided with securing instruments (bills, right of lien on real estates, contract for assignment of claims, etc.).

	2008			2007		
	Total	Payable within 1 year	Payable later than 1 year	Total	Payable within 1 year	Payable later than 1 year
Total	92.447	33.043	15.381	67.053	19.522	47.531
of this Financial loans	50.204	18.496	6.802	18.531	2.942	15.589
Interest-bearing timetables for	42.243	14.547	8.579	44.322	12.380	31.942
Short-term bridging loans				4.200	4.200	0

As of the Balance Sheet Date, interest-bearing instalment schedules, financial and short-term loans are reported with the maturity date exceeded, in the amount of CZK 44.023 thousand.

OTHER LIABILITIES

We register an amount of CZK 16.915 thousand on the account 325 – Other liabilities, of which CZK 15.650 thousand represents accepted interest-running loans from individuals. These liabilities have not exceeded the maturity period.

RECEIVABLES WITH TERM OF PAYMENT EXCEEDING FIVE YEARS

We file a claim in the amount of Kč 36 thousand on account 311, payable in 2014.

LIABILITIES WITH TERM OF PAYMENT EXCEEDING FIVE YEARS

None registered

5.7. Receivables and liabilities in foreign currency

RECEIVABLES IN FOREIGN CURRENCY as of 31 Dec 2008

Currency	EUR/CZK 26. 93	SKK/CZK 0. 89335	USD/CZK 19,346
Receivables in currency	21.543/580.160	3.451.972/3.083.820	40.960/792.412

LIABILITIES IN FOREIGN CURRENCY as of 31 Dec 2008

Currency	EUR/26,93 CZK	DKK/3,615 CZK	SKK/0,89335 CZK
Liabilities in currency	2.720.075/73.251.623	72.264/261.234	3.695.851/3.301.689

5.8. Liabilities to state authorities

AMOUNTS PAYABLE ON SOCIAL INSURANCE

- no payable overdue liabilities

AMOUNTS PAYABLE ON PUBLIC HEALTH INSURANCE

- no payable overdue liabilities

TAX ARREARS TOWARDS REVENUE AUTHORITIES

- no tax arrears

Important potential loss for which no reserve has been created in the company's books

Description of uncertain circumstances	Affecting factors	Estimated financial impact
None known	-	-

On 13 March 2007, Pharmos, a.s. was delivered a payment demand from Braddock Finance & Capital Ltd., Stoper House, Weber Street 15, London SE1 0RE, represented by Mgr. Marek Vojáček, attorney, with registered office at Týn 1049/3, 110 00 Prague 1 in the amount of CZK 100,000,000, including interests on late payments accruing by 5.5% until the date of payment. Pharmos, a.s. filed an objection against this payment demand on 13 March 2007 and suggested that the petition is rejected in full. The legal dispute is still pending.

6. Reserves (IV.3.5)

On 14 December 2006, Pharmos, a.s. was given a fine by the Office for the Protection of Economic Competition in Brno, in the amount of CZK 18,638,000 for the suspension of the supplies of pharmaceuticals to three university hospitals and the shortening of maturity periods. These were the following hospitals – Fakultní Thomayerova nemocnice s poliklinikou Praha, Fakultní nemocnice na Bulovce Praha, Fakultní nemocnice u sv. Anny v Brně. The fine was payable after the date of legal force. Pharmos, a.s. filed an appeal on 21 December 2006 against this decision, via a legal representative - Law Firm of JUDr. Ivan Rott. The matter is still pending. For this reason, a reserve was created in 2006 for the fine, in the amount of CZK 6,000,000. In 2007, a reserve was further created for the balance of the fine, i.e. CZK 12,638 thousand. For more details, see clause 2. Important events following Financial Statement date. In 2008, the Court of Justice took a decision on the righteousness of the claim so the reserve was cleared.

Description of reserve	Current year – 2008			Previous year – 2007		
	Additions	Withdrawal	Balance	Additions	Withdrawal	Balance
Lawful reserves (accrued taxes)	-	-	-	-	-	-
-Reserve on repairs	-	-	-	-	-	-
-Other reserves						
Non-tax reserves						
-Reserves on exchange rate loss	-	-	-	-	-	-
-Reserve on audit	-	-	-	-	-	-
-Reserve on accumulated leave and benefits	-	-	-	-	-	-
- Reserve on fine	0	18.638	0	12.638	-	18.638

7. Revenues from current activities (IV.3.6)

	Current year – 2008			Previous year – 2007		
	Total	Thereof inland	Thereof EU	total	Thereof inland	Thereof EU
Revenues from ordinary activities	12.018.677	11.907.001	111.676	11.688.840	11.607.090	81.750
Therein revenues from sale of goods	11.864.300	11.752.624	111.676	11.530.913	11.449.163	81.750
Revenues from sale of services	154.377	154.377	0	157.927	157.927	0
Contractual fines	24.512	24.512	0	6.464	6.464	0
Exchange rate differences	9.529	9.529	0	17.890	17.890	0
Other revenues	84.685	84.685	0	11.248	11.248	0
Total	12.137.403	12.137.403	0	11.724.442	11.642.692	81.750

8. Expenses incurred during fiscal year on research and development (IV.3.7)

The Company made no expenses on research and development in 2008.

9. Changes in reporting values in financial statements owing to legislative changes

No changes were effected to the form of reporting.

10. Information on total expenditures on remuneration for auditing company

Year	Mandatory audit	Other verification services	Tax consulting	Other non-auditing services
2008		-	-	-

Compiled of the day:	Signature of the person responsible for compilation:	Signature of a statutory representative:
Approved of the day:		

Binding account of information acc. to
the ČR Ministry of Finance Regulation No 500/2002 Coll.

Report of Changes in Equity

PHARMOS, a. s.
Registered office

ID No. 19 01 02 90

as of 31
December 2008
(rounded to CZK '000)

Těšínská 1349/296, Ostrava - Radvanice
716 00

	Registered capital	Other capital funds	Changes in registered capital	Reserve fund	Other funds	VHMO	VHBO	VK total
01	02	03	04	05		06	07	08
Opening balance, as of 1 January 2007	342 800			140 000	36 005	14 387	19 680	552 872
Subscription of registered capital increase								0
Allocation to statutory and other funds								0
Allocation to reserve fund from 2004 profit								0
Allocation for dividend payment							-985	-985
Allocation for royalty payment							-680	-680
Allocation to retained profit from previous years						18 015	-18 015	0
Profit/loss of current year							13 913	13 913
Closing balance, as of 31.12. 2007	342 800	0	0	140 000	36 005	32 402	13 913	565 120
Opening balance, as of 1 January 2008	342 800	0	0	140 000	36 005	32 402	13 913	565 120
Subscription of registered capital increase								0
Share premium for registered capital increase								0
Gains or losses from evaluation of assets								0
Allocation to reserve fund from 2005 profit								0
Allocation for dividend payment								
Allocation for royalty payment								
Allocation to retained profit from previous years						13 913	-13 913	0
Profit/loss of current year							11 739	11 739
Difference from rounding						-1		-1
Closing balance, as of 31.12. 2008	342 800	0	0	140 000	36 005	46 314	11 739	576 858

Legal form of the accounting unit : joint stock company	Compiled by:	Compiled on: 27 April 2009
Subject of enterprise :	(name, signature)	
Purchase of goods for sale and resale	Statutory body signature :	Approved on:
	(name, signature)	
Incorporated in the Company Register kept on file by the Regional Court in Ostrava, Section B, Insert 188		

Minimum binding account of information acc. To
Ministry of Finance Regulation No. 500/2002 Coll.

Cash Flow Statement

(cash-flow) (indirect method)

as of (date) 31 December.2008

(rounded to CZK '000)

YEAR	Month		ID No.							
2008	1	2	1	9	0	1	0	2	9	0

Trade name

PHARMOS, a.s.
Registered office of accounting unit

Těšínská 1349/296

Ostrava-Radvanice

716 00

Identification a	TEXT b	Line No.: c	Figures posted during fiscal year	
			current 1	prior 2
P.	Cash and cash equivalents at the beginning of accounting period	01	65 179	44 239
Cash flows from ordinary activities			02	
Z.	Profit/loss from ordinary activities before tax	03	24 923	17 760
A. 1.	Adjustments for non-monetary operations	04	67 807	124 736
A. 1. 1.	Depreciation of fixed assets (+) excluding book value of fixed assets sold, amortization of adjustments to acquired assets (+/-)	05	25 169	27 750
A. 1. 2.	Changes in adjusting entries and reserves	06	-1 840	24 734
A. 1. 3.	Profit (loss) from the sale of fixed assets (-/+)	07	-42 822	-293
A. 1. 4.	Revenue from dividend and share of profit (-)	08		
A. 1. 5.	Posted interest expense (+)excluding capitalised interest and interest income (-)	09	87 300	72 545
A. 1. 6.	Adjustment s other non-monetary operations	10		
A. *	Net cash flow from operating activities before tax, movements in working capital and extraordinary items	11	92 730	142 496
A. II.	Change in non-monetary elements of working capital	12	-29 990	-11 604
A. II. 1.	Change in receivables from operating activities (+/-), active accounts of temporary and anticipated assets	13	177 640	-269 416
A. II. 2.	Change in payables from operating activities (+/-), temporary and anticipated liabilities	14	-337 158	81 140
A. II. 3.	Variation in stock (+/-)	15	129 528	176 672
A. II. 4.	Change in short-term investments not falling under cash and cash equivalents	16		
A. **	Net cash flow from operating activities before tax and extraordinary items	17	62 740	130 892
A. III.	Interests paid except for capitalised interests (-)	19	-90 523	-77 444
A. IV.	Interests received (+)	19	3 223	4 899
A. V.	Income tax paid except for operating activities, additional tax paid for previous years (-)	20	-13 023	-12 371
A. ***	Net cash flow from operating activity	23	-37 583	45 976
Cash flow from investment activity			24	
B. I.	Expenditures related to acquisition of fixed assets	25	-7 898	-14 879
B. II.	Receipts from fixed assets sold	26	63 231	488
B. III.	Loans and credits for related persons	27		
B. ***	Net cash flow related to investment activity	28	55 333	-14 391
Cash flow from financial activities			29	
C. I.	Change in long-term liabilities, or short-term liabilities falling in the area of financial activities to cash and equivalents	30		-9 000
C. II.	Impact of variation in equity on cash and cash equivalents	31		-1 645
C. II. 1.	Increase of cash or cash equivalents due to change in registered capital, share premium or reserve fund, including prepayments made for this increase (+)	32		
C. II. 2.	Payment of share in equity to associates (-)	33		
C. II. 3.	Other monetary deposits by partners and shareholders (+)	34		
C. II. 4.	Settlement of loss by partners (+)	35		
C. II. 5.	Direct payments to the debit of funds (-)	36		
C. II. 6.	Dividends or shares in profits, royalties, including withdrawal of tax relating to such claims	37		-1 645
C. ***	Net cash flow related to financial activity	38		-10 645
F.	Net increase or decrease of cash and cash equivalents	39	17 750	20 940
R.	Cash and cash equivalents at the end of the accounting period	40	82 929	65 179

Compiled on: 27 April 2009	Approved on: 27 April 2009	Signature of the statutory body of the accounting unit 
Legal form of accounting unit: Joint-stock company	Subject of enterprise: Purchase of goods for sale and resale	
Incorporated in the Company Register kept on by the Regional Court in Ostrava, Section B, Insert 188		

Report on the Relationships between Controlling and Controlled Entity issued pursuant to the provisions of Section 66a (9) of the Commercial Code

PHARMOS, a.s., with the registered office at Těšínská 1349/296, Ostrava-Radvanice, Postcode: 71600, IČ (ID No.): 19010290, incorporated in the Companies Register kept on file at the Regional Court in Ostrava, Section B , Insert 188 (hereinafter the "**Submitter**"). As regards the provisions of Section 66a) of Act 513/1991 Coll. - the Commercial Code, as amended, the Company is a member of a business group (trust) in which the following relationships have been established between the Submitter and the entities controlled by the same controlling entities (hereinafter the "**Affiliated Entities**").

This Report regarding the relationships among the entities specified below was issued in accordance with the provisions of Section 66a Paragraph 9 of Act 513/1991 Coll., the Commercial Code (hereinafter the ComCo), as amended, during the fiscal year from 1 January 2008 to 31 December 2008 (hereinafter the "**Fiscal Year**").

The following contracts and agreements were entered into between the Submitter and the below-specified entities during this Fiscal Year, and the following legal and other deeds were adopted or effected:

A. CONTROLLING ENTITIES

The vertical relationships between the controlling and controlled entities are specified hereunder. For detailed information, see Annex 1 Group Structure. The Structure is as follows:

Česká lékárnická, a.s. with its registered office at Těšínská 1349/296, Ostrava - Radvanice, IČO (Company ID No.): 63080877

Phoenix International Beteiligungs GmbH, with a registered office at Mannheim, Germany

Relationship to the Company: controlling entity

B. OTHER AFFILIATED ENTITIES

a) Companies controlled by the Submitter

Lekis, s.r.o. with its registered office at Těšínská 1349/296, Ostrava - Radvanice, IČO (Company ID No.): 25356089

b) Companies controlled by the same controlling entity as the Submitter (affiliated companies) and the companies controlled by them with whom business relationships were established during the evaluated period

Pražská lékárnická s.r.o., with its registered office at Theodor 28, 273 08 Pchery, IČO (Company ID Number): 25633741

Jihlavská lékárnická s.r.o., with its registered office at Pávovská 3136/73, Jihlava-Bedřichov, IČO (Company ID Number): 25534459

Plzeňská lékárnická s.r.o., with its registered office at Domažlická 65, 318 00 Plzeň, IČO (Company ID Number): 25238213

PHARMACY-distribuce léčiv s.r.o., with its registered office at Dvorská 960/13, 785 01 Šternberk, IČO (Company ID Number): 65139577

Lekis s.r.o. with its registered office at Těšínská 1349/296, Ostrava - Radvanice, IČO (Company ID Number): 25356089

THERÁPON 98, a.s. with its registered office at Štefánikova 1301, 742 21 Kopřivnice, IČO (Company ID Number): 25399195

GALMED a.s., Těšínská 1349/296, Ostrava - Radvanice, IČO (Company ID Number): 47672145

LEKTRANS, s.r.o., Těšínská 1349/296, Ostrava - Radvanice, IČO (Company ID Number): 27779271

Pharmos, a.s., Odbojárov 340/29, 955 01 Topolčany, Slovakia

Moje lékárna, a.s., with its registered office at Ostrava – Radvanice, Těšínská 1349/296, 716 00, IČO (Company ID Number): 2857081

- Other members of the Group with the same top controlling entity which whom the Submitter entered into business relationships during the period concerned:

None.

c) *Other companies controlled by the same controlling entity as directly controlling entity with whom business relationships were established during the evaluated period*

None.

This Report provides a summary of the business and economic relationships between the controlled entity, the controlling entities above this controlled entity and the companies controlled by the same top entity.

I. Contracts

1.1. Sales

1.1.1. Fixed assets

As regards sales, there were no business relationships established and implemented as of the date of this Report in 2008 within the group with respect to the controlled entity or the affiliated entities within the same Group, regarding the sale of fixed assets, other assets, material and products.

The Submitter does not lease out any assets|.

1.1.2. Merchandise

The Submitter entered into the following sales and other contracts during the period specified below, pursuant to which products were sold during the fiscal year.

Title	Party	Description	Price	Detriment (if any)	Advantages / Disadvantages
<i>Separate Contract of Sale – delivery according to an invoice</i>	<i>Jihlavská lékárnická, s.r.o.</i>	<i>Products – pharmaceuticals, parapharmaceuticals, additional assortment</i>	<i>Common</i>	-	-
<i>Separate Contract of Sale – delivery according to an invoice</i>	<i>PHARMACY-distribuce léčiv, s.r.o.</i>	<i>Products – pharmaceuticals, parapharmaceuticals, additional assortment</i>	<i>Common</i>	-	-
<i>Separate Contract of Sale – delivery according to an invoice</i>	<i>Plzeňská lékárnická, s.r.o.</i>	<i>Products – pharmaceuticals, parapharmaceuticals, additional assortment</i>	<i>Common</i>	-	-
<i>Separate Contract of Sale – delivery according to an invoice</i>	<i>Pharmos, a.s. SR</i>	<i>Products – pharmaceuticals, parapharmaceuticals, additional assortment</i>	<i>Common</i>	-	-
<i>Separate Contract of Sale – delivery according to an invoice</i>	<i>Pražská lékárnická, s.r.o.</i>	<i>Products – pharmaceuticals, parapharmaceuticals, additional assortment</i>	<i>Common</i>	-	-

1.1.3. Services

The Submitter entered into contracts during the fiscal year, pursuant to which the Submitter rendered services during the fiscal year with respect to the controlling entity or affiliated entities within the same Group.

Description	Party	Description	Price	Detriment (if any)	Advantages / Disadvantages
<i>Software Lease Agreement, according to invoices</i>	<i>Česká lékárnická, a.s.</i>	<i>Lease of accounting IS NORIS 27</i>	<i>Common</i>	-	-
<i>Non-residential Premises Lease Agreement</i>	<i>Česká lékárnická, a.s.</i>	<i>Non-residential premises at Těšínská 1346/296 Ostrava - Radvanice</i>	<i>Common</i>	-	-
<i>Software Lease Agreement, according to invoices</i>	<i>Jihlavská lékárnická, s.r.o.</i>	<i>Lease of accounting IS NORIS</i>	<i>Common</i>	-	-
<i>Re-invoicing of services – separate contracts according to invoices</i>	<i>Jihlavská lékárnická, s.r.o.</i>	<i>Re-invoicing of services – promotional events, advertising objects, data services and fire prevention</i>	<i>Common</i>	-	-
<i>Software Lease Agreement, according to invoices</i>	<i>PHARMACY-distribuce léčiv, s.r.o.</i>	<i>Lease of accounting IS NORIS</i>	<i>Common</i>	-	-
<i>Re-invoicing of services – separate contracts according to invoices</i>	<i>PHARMACY-distribuce léčiv, s.r.o.</i>	<i>Re-invoicing of services – promotional events, advertising objects, data services and fire prevention</i>	<i>Common</i>	-	-
<i>Software Lease Agreement, according to invoices</i>	<i>Plzeňská lékárnická, s.r.o.</i>	<i>Lease of accounting IS NORIS</i>	<i>Common</i>	-	-
<i>Re-invoicing of services – separate contracts according to invoices</i>	<i>Plzeňská lékárnická, s.r.o.</i>	<i>Re-invoicing of services – promotional events, advertising objects, data services and fire prevention</i>	<i>Common</i>	-	-
<i>Re-invoicing of services – separate contracts according to invoices</i>	<i>Plzeňská lékárnická, s.r.o.</i>	<i>Re-invoicing of marketing bonuses</i>	<i>Common</i>	-	-

<i>Software Lease Agreement, according to invoices</i>	<i>Pražská lékárnická, s.r.o.</i>	<i>Lease of accounting IS NORIS</i>	<i>Common</i>	-	-
<i>Re-invoicing of services – separate contracts according to invoices</i>	<i>Moje lékárna, a.s.</i>	<i>Re-invoicing of services – promotional events, advertising objects, data services</i>	<i>Common</i>		
<i>Re-invoicing of services – separate contracts according to invoices</i>	<i>Pražská lékárnická, s.r.o.</i>	<i>Re-invoicing of services – promotional events, advertising objects, data services and fire prevention</i>	<i>Common</i>		
<i>Contract for transportation of goods</i>	<i>Pražská lékárnická, s.r.o.</i>	<i>Compensation for transportation of goods</i>	<i>Common</i>		
<i>Distribution Services Agreement</i>	<i>Pražská lékárnická, s.r.o.</i>	<i>Compensation for distribution services</i>	<i>Common</i>		
<i>Distribution Services Agreement</i>	<i>Galmed, a.s.</i>	<i>Compensation for distribution services</i>	<i>Common</i>		
<i>Re-invoicing of services – separate contracts according to invoices</i>	<i>THERAPÓN 98, a.s.</i>	<i>Re-invoicing of leasing expenses</i>	<i>Common</i>	-	-
<i>Lease Agreement, according to invoices</i>	<i>Galmed, a.s.</i>	<i>Rental for leased items and energy</i>	<i>Common</i>	-	-
<i>Re-invoicing of services – separate contracts according to invoices</i>	<i>Galmed, a.s.</i>	<i>Re-invoicing of services, fuels, telephone fees, data services, etc.</i>	<i>Common</i>		
<i>Contract for management of Consignment Stock</i>	<i>Galmed, a.s.</i>	<i>Consignment Stock management at Hradec Králové subsidiary</i>	<i>Common</i>		
<i>Dílčí dodávky – dle faktur</i>	<i>Lekis s.r.o.</i>	<i>Rental, communication, lease services</i>	<i>Common</i>		
<i>Non-residential Premises Lease Agreement</i>	<i>Moje lékárna, a.s.</i>	<i>Non-residential premises at Těšínská 1346/296 Ostrava - Radvanice</i>	<i>Common</i>		
<i>Non-residential Premises Lease Agreement</i>	<i>LEKTRANS, s.r.o.</i>	<i>Non-residential premises at Těšínská 1346/296 Ostrava - Radvanice</i>	<i>Common</i>		
<i>Motor Vehicle Lease Agreement</i>	<i>Pharmos, a.s. SR</i>	<i>Motor vehicle lease</i>	<i>Common</i>		
<i>Re-invoicing of services – separate contracts according to invoices</i>	<i>Plezeňská lékárnická, s.r.o.</i>	<i>Re-invoicing of transportation, marketing events, data communication, Edukafarm company expenses</i>	<i>Common</i>		

1.1.4. Other contractual relationships

PHARMOS, a.s. provided the following companies with the following interest-bearing loans

Description	Party	Balance as of 31.12.2008	Description	Price	Detriment (if any)	Advantages / Disadvantages
<i>Loan Agreement</i>	<i>Lekis, s.r.o.</i>	<i>4 000 000</i>	<i>Loan</i>	<i>Common</i>	-	-
<i>Loan Agreement</i>	<i>Pharmos, a.s. SR</i>	<i>26 134 000</i>	<i>Loan</i>	<i>Common</i>	-	-

PHARMOS, a.s. received an interest-bearing loan from Galmed, a.s. in the amount of CZK 4,000, 000 at a common price.

1.2. Purchase

As regards purchasing, the following purchase relationships were established and implemented as of the date of this Report in 2008 within the group with respect to the controlled entity or the affiliated entities within the same Group, regarding fixed assets, other assets and material.

1.2.1. Services (except for leasing)

The Submitter entered into contracts during the fiscal year, pursuant to which the following services were rendered during the fiscal year:

<i>Description</i>	<i>Party</i>	<i>Description</i>	<i>Price</i>	<i>Detriment (if any)</i>	<i>Advantages / Disadvantages</i>
<i>Separate deliveries, according to invoices</i>	<i>Česká lékárnická, a.s.</i>	<i>Intermediation Services</i>	<i>Common</i>	-	-
<i>Service Agreement</i>	<i>Lekis, s.r.o.</i>	<i>Installation of network modems</i>	<i>Agreed</i>		
<i>Service Agreement</i>	<i>Lekis, s.r.o.</i>	<i>HW, SW service</i>	<i>Agreed</i>	-	-
<i>Separate deliveries – according to invoices</i>	<i>Lekis, s.r.o.</i>	<i>Repairs of IT equipment, installation</i>	<i>Agreed</i>	-	-
<i>Re-invoicing of services – separate contract</i>	<i>Jihlavská lékárnická, a.s.</i>	<i>Re-invoicing of parts of lease for the use of non-residential premises</i>	<i>Common</i>	-	-
<i>Contract for provision of expert consultancy</i>	<i>Galmed, a.s.</i>	<i>Consultancy services regarding tender procedures for the supplies of pharmaceuticals</i>	<i>Common</i>		
<i>Packaging Agreement</i>	<i>Galmed, a.s.</i>	<i>Medical product secondary packaging</i>	<i>Common</i>		
<i>Re-invoicing of GML Agreement</i>	<i>Česká lékárnická, a.s.</i>	<i>Re-invoicing of expenses related to GML</i>	<i>Common</i>		
<i>Contract for transportation of distributed goods</i>	<i>LEKTRANS, s.r.o.</i>	<i>Arrangement for transportation of goods</i>	<i>Common</i>		
<i>Contract for lease of space on commercial vehicles</i>	<i>LEKTRANS, s.r.o.</i>	<i>Lease of spaces for the placing of logos</i>	<i>Common</i>		

1.2.2. Purchase of material

The Submitter purchased material during the fiscal year from the controlling entity or the affiliated entities within the same Group.

<i>Description</i>	<i>Party</i>	<i>Description</i>	<i>Price</i>	<i>Detriment (if any)</i>	<i>Advantages / Disadvantages</i>
<i>Separate deliveries – according to invoices</i>	<i>Lekis, s.r.o.</i>	<i>Consumables – paper, toners, disks.</i>	<i>Common</i>	-	-

1.2.3 Purchase of goods

The Submitter purchased products during the fiscal year from the controlling entity or the affiliated entities within the same Group.

<i>Description</i>	<i>Party</i>	<i>Description</i>	<i>Price</i>	<i>Detriment (if any)</i>	<i>Advantages / Disadvantages</i>
<i>Separate deliveries – according to invoices</i>	<i>GALMED, a.s.</i>	<i>Products – pharmaceuticals, parapharmaceuticals, additional assortment</i>	<i>Common</i>	-	-
<i>Separate deliveries – according to invoices</i>	<i>Pharmos, a.s. SLOVAKIA</i>	<i>Products – pharmaceuticals, parapharmaceuticals, additional assortment</i>	<i>Common</i>	-	-

1.2.4. Purchase of fixed assets

The Submitter entered into agreements during the fiscal year, pursuant to which the Submitter purchased fixed assets from the controlling entity or the affiliated entities within the same Group.

<i>Description</i>	<i>Party</i>	<i>Description</i>	<i>Price</i>	<i>Detriment (if any)</i>	<i>Advantages / Disadvantages</i>
<i>Separate deliveries – according to invoices</i>	<i>Lekis, s.r.o.</i>	<i>Hardware – PCs, printers, components</i>	<i>Common</i>	-	-

1.2.5. Other contractual relationships

None.

Other legal operations

Bank Guaranty given to Lektrans, a.s. (avalista).

Other measures

None.

Statement

The statutory body hereby declares, pursuant to the provisions of Section 66a) Paragraph 15 of the Commercial Code that the statutory body guarantees jointly and severally the fulfilment of liabilities regarding the indemnification of the company and its partners as a consequence of a failure to specify agreements or other transactions within this Report from which the Company suffered detriment provided that such detriment was not compensated or that no agreement for its compensation has been entered into.

In Ostrava, 27 April 2009



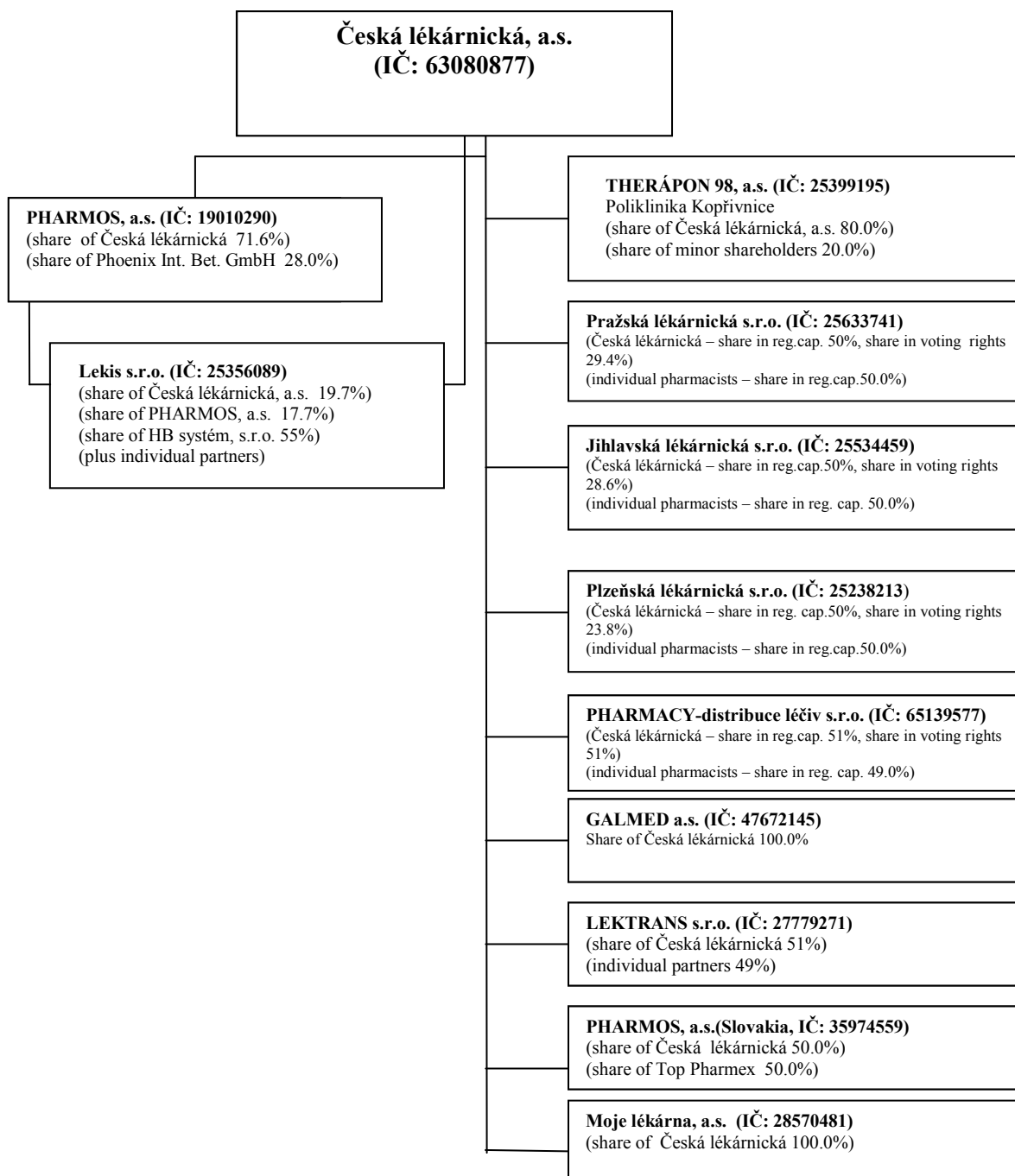
.....
PharmDr. Ivan Šácha, member of the Board of Directors



.....
Alena Marynčáková, member of the Board of Directors

Annex 1 to Report on the Relationships between Controlling and Controlled Entity issued pursuant to the provisions of Section 66a (par. 9) of the Commercial Code

Organizational structure
(as of 31 Dec 2008)



Organizational Structure of Group – Personnel Linkage (as entered in the Company Register as of 31 December 2008)

